

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, 2023
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 Exchange 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
7.00% Convertible Senior Notes due 2023	RCA	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 110,745,658 shares of common stock, par value \$0.0001 per share, outstanding as of May 8, 2023.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 111,192	\$ 163,041
Restricted cash	49,632	55,927
Loans, net (including \$9,859 and \$9,786 held at fair value)	3,128,197	3,576,310
Loans, held for sale, at fair value	236,578	258,377
Paycheck Protection Program loans (including \$346 and \$576 held at fair value)	146,557	186,985
Mortgage-backed securities, at fair value	32,607	32,041
Loans eligible for repurchase from Ginnie Mae	64,293	66,193
Investment in unconsolidated joint ventures (including \$7,913 and \$8,094 held at fair value)	114,169	118,641
Investments held to maturity	3,306	3,306
Purchased future receivables, net	10,568	8,246
Derivative instruments	13,773	12,963
Servicing rights (including \$188,985 and \$192,203 held at fair value)	278,936	279,320
Real estate owned, held for sale	90,104	117,098
Other assets	202,690	189,769
Assets of consolidated VIEs	7,054,861	6,552,760
Total Assets	\$ 11,537,463	\$ 11,620,977
Liabilities		
Secured borrowings	2,484,902	2,846,293
Paycheck Protection Program Liquidity Facility (PPPLF) borrowings	169,596	201,011
Securitized debt obligations of consolidated VIEs, net	5,300,967	4,903,350
Convertible notes, net	114,689	114,397
Senior secured notes, net	343,798	343,355
Corporate debt, net	663,623	662,665
Guaranteed loan financing	238,948	264,889
Contingent consideration	16,636	28,500
Liabilities for loans eligible for repurchase from Ginnie Mae	64,293	66,193
Derivative instruments	2,639	1,586
Dividends payable	47,308	47,177
Loan participations sold	55,967	54,641
Due to third parties	12,881	11,805
Accounts payable and other accrued liabilities	132,523	176,520
Total Liabilities	\$ 9,648,770	\$ 9,722,382
Preferred stock Series C, liquidation preference \$25.00 per share (refer to Note 21)	8,361	8,361
Commitments & contingencies (refer to Note 25)		
Stockholders' Equity		
Preferred stock Series E, liquidation preference \$25.00 per share (refer to Note 21)	111,378	111,378
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 110,745,658 and 110,523,641 shares issued and outstanding, respectively	11	11
Additional paid-in capital	1,687,631	1,684,074
Retained earnings (deficit)	(6,532)	4,994
Accumulated other comprehensive loss	(12,353)	(9,369)
Total Ready Capital Corporation equity	1,780,135	1,791,088
Non-controlling interests	100,197	99,146
Total Stockholders' Equity	\$ 1,880,332	\$ 1,890,234
Total Liabilities, Redeemable Preferred Stock, and Stockholders' Equity	\$ 11,537,463	\$ 11,620,977

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

<i>(in thousands, except share data)</i>	Three Months Ended March 31,	
	2023	2022
Interest income	\$ 217,573	\$ 124,405
Interest expense	(160,394)	(61,017)
Net interest income before recovery of (provision for) loan losses	\$ 57,179	\$ 63,388
Recovery of (provision for) loan losses	6,734	(1,542)
Net interest income after recovery of (provision for) loan losses	\$ 63,913	\$ 61,846
Non-interest income		
Residential mortgage banking activities	9,169	8,424
Net realized gain (loss) on financial instruments and real estate owned	11,575	8,007
Net unrealized gain (loss) on financial instruments	(11,728)	45,315
Servicing income, net of amortization and impairment of \$1,759 and \$3,345	14,003	10,528
Income on purchased future receivables, net of allowance for (recovery of) doubtful accounts of \$1,594 and \$(125)	540	2,469
Income on unconsolidated joint ventures	656	6,563
Other income	19,883	6,501
Total non-interest income	\$ 44,098	\$ 87,807
Non-interest expense		
Employee compensation and benefits	(25,139)	(27,968)
Allocated employee compensation and benefits from related party	(2,326)	(3,000)
Variable expenses on residential mortgage banking activities	(5,485)	(979)
Professional fees	(5,717)	(5,126)
Management fees – related party	(5,081)	(3,196)
Incentive fees – related party	(1,720)	—
Loan servicing expense	(9,963)	(8,920)
Transaction related expenses	(893)	(5,699)
Other operating expenses	(14,318)	(12,653)
Total non-interest expense	\$ (70,642)	\$ (67,541)
Income before provision for income taxes	37,369	82,112
Income tax provision	(391)	(17,849)
Net income	\$ 36,978	\$ 64,263
Less: Dividends on preferred stock	1,999	1,999
Less: Net income attributable to non-controlling interest	1,835	775
Net income attributable to Ready Capital Corporation	\$ 33,144	\$ 61,489
Earnings per common share - basic	\$ 0.30	\$ 0.70
Earnings per common share - diluted	\$ 0.29	\$ 0.66
Weighted-average shares outstanding		
Basic	110,672,939	87,707,281
Diluted	121,025,909	95,402,494
Dividends declared per share of common stock	\$ 0.40	\$ 0.42

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,	
	2023	2022
Net income	\$ 36,978	\$ 64,263
Other comprehensive income - net change by component		
Net change in hedging derivatives (cash flow hedges)	(3,805)	213
Foreign currency translation adjustment	778	766
Other comprehensive income (loss)	\$ (3,027)	\$ 979
Comprehensive income	\$ 33,951	\$ 65,242
Less: Comprehensive income attributable to non-controlling interests	1,794	780
Comprehensive income attributable to Ready Capital Corporation	\$ 32,157	\$ 64,462

See Notes To Unaudited Consolidated Financial Statements

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READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended March 31, 2023											
(in thousands, except share data)	Preferred Series E	Common Stock	Preferred Stock	Common Stock	Additional Paid-	Retained Earnings	Accumulated Other	Total Ready Capital	Non-controlling	Total Stockholders'	
	Shares Outstanding	Shares Outstanding	Series E	Par Value	In Capital	(Deficit)	Comprehensive Loss	Corporation Equity	Interests	Equity	
Balance at January 1, 2023	4,600,000	110,523,641 \$	111,378 \$	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)	
\$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)	
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	110,745,658 \$	111,378 \$	11 \$	1,687,631 \$	(6,532) \$	(12,353) \$	1,780,135 \$	100,197 \$	1,880,332	

Three Months Ended March 31, 2022											
(in thousands, except share data)	Preferred Series E	Common Stock	Preferred Stock	Common Stock	Additional Paid-	Retained Earnings	Accumulated Other	Total Ready Capital	Non-controlling	Total Stockholders'	
	Shares Outstanding	Shares Outstanding	Series E	Par Value	In Capital	(Deficit)	Comprehensive Loss	Corporation Equity	Interests	Equity	
Balance at January 1, 2022	4,600,000	75,838,050 \$	111,378 \$	8 \$	1,161,853 \$	8,598 \$	(5,733) \$	1,276,104 \$	4,494 \$	1,280,598	
Dividend declared:											
Common stock (\$0.42 per share)	—	—	—	—	—	(48,426)	—	(48,426)	—	(48,426)	
OP units	—	—	—	—	—	—	—	—	(735)	(735)	
\$0.390625 per Series C preferred share	—	—	—	—	—	(131)	—	(131)	—	(131)	
\$0.406250 per Series E preferred share	—	—	—	—	—	(1,868)	—	(1,868)	—	(1,868)	
Shares issued pursuant to merger transactions	—	30,252,764	—	3	437,308	—	—	437,311	—	437,311	
OP units issued pursuant to merger transactions	—	—	—	—	—	—	—	—	20,745	20,745	
Non-controlling interest acquired in merger transaction	—	—	—	—	—	—	—	—	82,257	82,257	
Equity issuances	—	8,077,101	—	—	124,149	—	—	124,149	—	124,149	
Offering costs	—	—	—	—	(763)	—	—	(763)	(4)	(767)	
Distributions, net	—	—	—	—	—	—	—	—	(1,916)	(1,916)	
Equity component of 2017 convertible note issuance	—	—	—	—	(108)	—	—	(108)	(1)	(109)	
Stock-based compensation	—	252,260	—	—	3,646	—	—	3,646	—	3,646	
Share repurchases	—	(84,227)	—	—	(1,261)	—	—	(1,261)	—	(1,261)	
Reallocation of non-controlling interest	—	—	—	—	(1,725)	—	55	(1,670)	1,670	—	
Net income	—	—	—	—	—	63,488	—	63,488	775	64,263	
Other comprehensive income	—	—	—	—	—	—	974	974	5	979	
Balance at March 31, 2022	4,600,000	114,335,948 \$	111,378 \$	11 \$	1,723,099 \$	21,661 \$	(4,704) \$	1,851,445 \$	107,290 \$	1,958,735	

See Notes To Unaudited Consolidated Financial Statements

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READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months Ended March 31,	
	2023	2022
Cash Flows From Operating Activities:		
Net income	\$ 36,978	\$ 64,263
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Amortization of premiums, discounts, and debt issuance costs, net	9,767	(5,739)
Stock-based compensation	1,853	1,963
Provision for (recovery of) loan losses	(6,734)	1,542
Impairment loss on real estate owned, held for sale	3,418	1,827
Repair and denial reserve	199	(2,193)
Allowance for (recovery of) doubtful accounts on purchased future receivables	1,594	(125)
Loans, held for sale, at fair value, net	30,223	23,503
Net income of unconsolidated joint ventures, net of distributions	(60)	(4,779)
Realized (gains) losses, net	(19,700)	(11,689)
Unrealized (gains) losses, net	12,481	(46,912)
Changes in operating assets and liabilities:		
Purchased future receivables, net	(3,916)	(756)
Derivative instruments	(4,115)	495
Assets of consolidated VIEs (excluding loans, net), accrued interest and due from servicers	(9,918)	(115)
Receivable from third parties	(5,899)	21,979
Other assets	(10,067)	(9,329)
Accounts payable and other accrued liabilities	(37,011)	(19,193)
Net cash provided by (used for) operating activities	\$ (907)	\$ 14,742
Cash Flows From Investing Activities:		
Origination of loans	(283,368)	(1,289,329)
Purchase of loans	(519)	(643,744)
Proceeds from disposition and principal payment of loans	252,609	371,142
Proceeds from disposition and principal payment of Paycheck Protection Program loans	43,341	330,945
Funding of investments held to maturity	—	(406)
Proceeds from sale and principal payment of mortgage-backed securities, at fair value	—	5,168
Funding of real estate, held for sale	(1,678)	(902)
Proceeds from sale of real estate, held for sale	33,761	1,416
Investment in unconsolidated joint ventures	(65)	(8,700)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	4,597	5,152
Payment of liabilities under participation agreements, net of proceeds received	(782)	(17,270)
Net cash provided by business acquisitions	—	123,566
Net cash provided by (used for) investing activities	\$ 47,896	\$ (1,122,962)
Cash Flows From Financing Activities:		
Proceeds from secured borrowings	1,939,011	4,208,161
Repayment of secured borrowings	(2,302,394)	(3,516,612)
Repayment of the Paycheck Protection Program Liquidity Facility borrowings	(31,415)	(314,060)
Proceeds from issuance of consolidated debt obligations of consolidated VIEs	482,267	928,257
Repayment of consolidated debt obligations of consolidated VIEs	(86,345)	(259,705)
Proceeds from corporate debt	—	4,040
Repayment of guaranteed loan financing	(31,563)	(30,486)
Payment of deferred financing costs	(9,321)	(11,477)
Payment of contingent consideration	(9,000)	(9,000)
Proceeds from issuance of equity, net of issuance costs	106	123,382
Settlement of share-based awards in satisfaction of withholding tax requirements	(1,382)	(1,261)
Dividend payments	(47,176)	(34,347)
Distributions to non-controlling interests, net	(100)	(1,916)
Net cash provided by (used for) financing activities	\$ (97,312)	\$ 1,084,976
Net decrease in cash, cash equivalents, and restricted cash	(50,323)	(23,244)
Cash, cash equivalents, and restricted cash beginning balance	297,027	323,328
Cash, cash equivalents, and restricted cash ending balance	\$ 246,704	\$ 300,084
Supplemental disclosures:		
Cash paid for interest	\$ 144,970	\$ 49,854
Cash paid for income taxes	\$ 134	\$ 102
Non-cash investing activities		
Loans transferred from loans, held for sale, at fair value to loans, net	\$ 344	\$ —
Loans transferred from loans, net to loans, held for sale, at fair value	\$ —	\$ 1,507
Loans transferred to real estate owned	\$ 22,393	\$ 496
Contingent consideration in connection with acquisitions	\$ —	\$ 84,348
Non-cash financing activities		
Shares and OP units issued in connection with merger transactions	\$ —	\$ 458,056
Cash, cash equivalents, and restricted cash reconciliation		
Cash and cash equivalents	\$ 111,192	\$ 211,369
Restricted cash	49,632	56,963
Cash, cash equivalents, and restricted cash in assets of consolidated VIEs	85,880	31,752
Cash, cash equivalents, and restricted cash ending balance	\$ 246,704	\$ 300,084

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 small to medium balance commercial ("SBC") loans, Small Business Administration ("SBA") loans, residential mortgage loans, construction loans, and to a lesser extent, mortgage-backed securities ("MBS") collateralized primarily by SBC loans, or other real estate-related investments. SBC loans represent a special category of commercial loans, sharing both commercial and residential loan characteristics. SBC loans are generally secured by first mortgages on commercial properties, but because SBC 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 both March 31, 2023 and December 31, 2022, the Company owned approximately 98.6% of the operating partnership. 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.

Acquisitions

Broadmark. On February 26, 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"), entered into an Agreement and Plan of Merger (the "Broadmark Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Broadmark will be merged with and into RCC Merger Sub, with RCC Merger Sub remaining as a wholly owned subsidiary of the Company (such transaction, the "Broadmark Merger").

Under the terms of the Broadmark Merger Agreement, 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) will automatically be converted into the right to receive from the Company 0.47233 shares of its common stock, par value \$0.0001 ("Common Stock"), subject to adjustment as provided in the Broadmark Merger Agreement (the "Exchange Ratio").

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") will, as of the Effective Time, automatically be 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.

Each award of restricted stock units that is not a Broadmark Performance RSU Award granted pursuant to the Broadmark Equity Plan (each a "Broadmark RSU Award") will be 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") may 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 is outstanding as of the Effective Time shall remain outstanding and entitle each holder thereof to receive, upon exercise of such 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.

Following the consummation of the Broadmark Merger, the number of directors on the Company's Board will be increased by three members, from nine to twelve, and will include all of the current directors of the Company's Board and three additional directors, each of whom currently serves on the board of directors of Broadmark.

The Company currently expects that the Broadmark Merger will close as soon as the second quarter of 2023, subject to the respective approvals of the Company's stockholders and Broadmark's stockholders and other customary closing conditions.

Mosaic. On March 16, 2022, pursuant to the terms of the Merger Agreement, dated as of November 3, 2021, as amended on February 7, 2022, the Company acquired, in a series of mergers (collectively, the "Mosaic Mergers"), 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.

As consideration for the Mosaic Mergers, each former investor was entitled to receive an equal number of shares of each of Class B-1 Common Stock, \$0.0001 par value per share (the "Class B-1 Common Stock"), Class B-2 Common Stock, \$0.0001 par value per share (the "Class B-2 Common Stock") Class B-3 Common Stock, \$0.0001 par value per share (the "Class B-3 Common Stock"), and Class B-4 Common Stock, \$0.0001 par value per share (the "Class B-4 Common Stock" and, together with the Class B-1 Common Stock, the Class B-2 Common Stock and the Class B-3 Common Stock, the "Class B Common Stock"), of Ready Capital, contingent equity rights ("CERs") representing the potential right to receive shares of common stock as of the end of the three-year period following the closing date of the Mosaic Mergers based upon the performance of the assets acquired by Ready Capital pursuant to the Mosaic Mergers, and cash consideration in lieu of any fractional shares of Class B Common Stock.

The Class B Common Stock ranked equally with the common stock, except that the shares of Class B Common Stock were not listed on the New York Stock Exchange. On May 11, 2022, each issued and outstanding share of Class B Common Stock, pursuant to a Board resolution, automatically converted, on a one-for-one basis, into an equal number of shares of common stock, and as such, no shares of Class B Common Stock remain outstanding.

The CERs are contractual rights and do not represent any equity or ownership interest in Ready Capital or any of its affiliates. If any shares of common stock are issued in settlement of the CERs, each former investor will also 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 in respect of CERs and having a record date on or after the closing date of the Mergers and a payment date prior to the issuance date of such shares of common stock, divided by (ii) the greater of (a) the average of the volume weighted average prices of one share of common stock over the ten trading days preceding the determination date and (b) the most recently reported book value per share of common stock as of the determination date.

The acquisition further expanded the Company's investment portfolio and origination platform to include a diverse portfolio of construction assets with attractive portfolio yields. Refer to Note 5 for assets acquired and liabilities assumed in the Mosaic Mergers.

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, 2023 and for the three months ended March 31, 2023 and 2022, 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, 2022, 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. Securitized loans remain on the Company's balance sheet because the securitization vehicles are consolidated under ASC 810. Acquired loans are recorded at cost at the time they are acquired 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 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 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. 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 only when contractually current and the collection of future payments is reasonably assured.

Loans, held for sale, at fair value

Loans, held for sale, at fair value are loans that are expected to be sold to third parties in the near term. Interest is recognized as interest income in the consolidated statements of income when earned and deemed collectible. For loans originated through the SBC Lending and Acquisitions and Small Business Lending segments, 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 for sale, at fair value. For loans originated by GMFS, changes in fair value are reported as residential mortgage banking activities in the consolidated statements of income.

Paycheck Protection Program loans

Paycheck Protection Program ("PPP") loans originated in response to the COVID-19 pandemic are further described in Note 20. 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, at fair value

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 SBC loans, as well as residential Agency MBS, 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, at fair value 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.

Loans eligible for repurchase from Ginnie Mae

When the Company has the unilateral right to repurchase Ginnie Mae pool loans it has previously sold (generally loans that are more than 90 days past due), the Company then records the right to repurchase the loan as an asset and liability in its consolidated balance sheets. Such amounts reflect the unpaid principal balance of the loans.

Derivative instruments, at fair value

Subject to maintaining qualification as a REIT for U.S. federal income tax purposes, the Company utilizes derivative financial instruments, comprised of credit default swaps ("CDSs"), interest rate swaps, TBA agency securities, FX forwards and interest rate lock commitments ("IRLCs") 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, 2023 and December 31, 2022, the Company had offset \$34.0 and \$41.8 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.

TBA Agency Securities. TBA Agency Securities are forward contracts for the purchase or sale of Agency Securities at predetermined measures on an agreed-upon future date. The specific Agency Securities delivered pursuant to the contract upon the settlement date are not known at the time of the transaction. The fair value of TBA Agency Securities is priced based on observed quoted prices. The realized and unrealized gains or losses are reported in the consolidated statements of income as residential mortgage banking activities. TBA Agency Securities are classified as Level 2 in the fair value hierarchy.

IRLC. IRLCs are agreements under which GMFS agrees to extend credit to a borrower under certain specified terms and conditions in which the interest rate and the maximum amount of the loan are set prior to funding. Unrealized gains and losses on the IRLCs, reflected as derivative assets and derivative liabilities, respectively, are measured based on the value of the underlying mortgage loan, quoted government-sponsored enterprise (Fannie Mae, Freddie Mac, and Ginnie Mae) or MBS prices, estimates of the fair value of the mortgage servicing rights ("MSRs") and the probability that the mortgage loan will fund within the terms of the IRLC, net of commission expense and broker fees. The realized and unrealized gains or losses are reported in the consolidated statements of income as residential mortgage banking activities. IRLCs are classified as Level 3 in the fair value hierarchy.

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.

CDS. CDSs are contracts between two parties, a protection buyer who makes fixed periodic payments, and a protection seller who collects the premium in exchange for making the protection buyer whole in the case of default.

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.

During May 2021, the Company discontinued hedge accounting for the anticipated issuance of securitized debt obligations for certain hedges. As a general rule, derivative gains or losses reported in AOCI are required to be recorded in earnings when it becomes probable that the forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period thereafter. The guidance in ASC 815 includes an exception to the general rule when extenuating circumstances that are outside the control or influence of the reporting entity cause the forecasted transaction to be probable of occurring on a date that is beyond the additional two-month period. The issuance of the securitized debt obligations was delayed beyond the additional two-month period due to the uncertainty in the capital markets and lower origination volumes as a result of the COVID-19 pandemic. Since the delay was caused by extenuating circumstances related to the COVID-19 pandemic and the issuance of securitized debt obligations remained probable over a reasonable time period after the additional two-month period, the discontinued cash flow hedges qualify for the exception in accordance with FASB Staff Q&A Topic 815: *Cashflow hedge accounting affected by the Covid-19 Pandemic*. The anticipated issuance of securitized debt obligations subsequently occurred. Accordingly, the previously recorded net derivative instrument gains or losses related to the discontinued cash flow hedges booked in AOCI are recognized in the consolidated statements of income using the effective yield method.

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. For residential MSRs, gains on servicing rights retained upon sale of a loan are included in residential mortgage banking activities in the consolidated statements of income.

The Company treats its servicing rights and residential MSRs as two separate classes of servicing assets based on the class of the underlying mortgages and it treats these assets as two separate pools for risk management purposes. 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"), while the Company's residential MSRs are accounted for under the fair value option under ASC 825, *Financial Instruments* ("ASC 825"). A significant portion of the Company's multi-family servicing rights are under the Freddie Mac program.

Servicing rights – SBA and multi-family portfolio. 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.

Servicing rights - Residential (carried at fair value). The Company's residential MSRs consist of conforming conventional residential loans sold to Fannie Mae and Freddie Mac or loans securitized in Ginnie Mae securities. Government insured loans serviced by the Company are securitized through Ginnie Mae, whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Department of Veterans Affairs.

The Company has elected to account for its portfolio of residential MSRs at fair value. For these assets, the Company uses a third-party vendor to assist management in estimating the fair value. The third-party vendor uses a discounted cash flow approach which consists of projecting servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key assumptions used in the estimation of the fair value of MSRs include prepayment rates, discount rates, and cost of servicing. Residential MSRs are classified as Level 3 in the fair value hierarchy.

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 Company has established an allowance for doubtful purchased future receivables. An increase in the allowance for doubtful purchased future receivables results in a charge to income and is reduced when purchased future receivables are charged-off. Purchased future receivables are charged-off after 90 days past due. Management believes that the allowance reflects the risk elements and is adequate to absorb losses inherent in the portfolio. Although management has performed this evaluation, future adjustments may be necessary based on changes in economic conditions or other factors.

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 2023, 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 SBC Lending and Acquisitions segment are performed primarily by third-party servicers. SBA loans originated by and held at RCL are internally serviced. Residential mortgage loans originated by and held at GMFS are both serviced by third-party servicers and 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, at fair value 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 Facility ("PPPLF") is a government loan facility created to enable the distribution of funds for PPP whereby the Company may receive 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.

Convertible note, net

ASC 470 requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. ASC 470-20 requires that the initial proceeds from the sale of these notes be allocated between a liability component and an equity component in a manner that reflects interest expense at the interest rate of similar nonconvertible debt that could have been issued by the Company at such time. The Company measured the estimated fair value of the debt component of its convertible notes as of the issuance date based on its nonconvertible debt borrowing rate. The equity components of the convertible senior notes have been reflected within additional paid-in capital in the Company's consolidated balance sheet, and the resulting debt discount is amortized over the period during which the convertible notes are expected to be outstanding (through the maturity date) as additional non-cash interest expense.

Upon repurchase of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, would be recognized as gain (loss) on extinguishment of debt in the Company's consolidated statements of income. The remaining settlement consideration allocated to the equity component would be recognized as a reduction of additional paid-in capital in the consolidated balance sheets.

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 Sutherland OP Holdings II, Ltd., which is managed by the Manager, and third parties. The Company also has non-controlling interest related to the operating partnership units issued to satisfy a portion of the purchase price in connection with the Mosaic Merger. 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, at fair value originated by the Company were made due to the short-term nature of these instruments. This includes loans originated in round one of the PPP, loans held-for-sale originated by GMFS that the Company intends to sell in the near term and residential MSRs.

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 senior notes and convertible preferred stock under the if-converted 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, preferred stock and CERs 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, at fair value, 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.

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, at fair value, or loans, held-for-investment. For loans held, at fair value, and loans, held for sale, at fair value, 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, at fair value, are presented in the consolidated statements of income as components of other income and operating expenses. Origination fees for residential mortgage loans originated by GMFS are presented in the consolidated statements of income in residential mortgage banking activities, while origination expenses are presented within variable expenses on residential mortgage banking activities. 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.

Residential mortgage banking activities

Residential mortgage banking activities reflects revenue within the Company's residential mortgage banking business directly related to loan origination and sale activity. This primarily consists of the realized gains on sales of residential loans held for sale and loan origination fee income. Residential mortgage banking activities also consists of unrealized gains and losses associated with the changes in fair value of the loans held for sale, the fair value of retained MSR additions, and the realized and unrealized gains and losses from derivative instruments.

Gains and losses from the sale of mortgage loans held for sale are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale and is included in residential mortgage banking activities, in the consolidated statements of income. Sales proceeds reflect the cash received from investors from the sale of a loan plus the servicing release premium if the related MSR is sold. Gains and losses also include the unrealized gains and losses associated with the mortgage loans held for sale and the realized and unrealized gains and losses from derivative instruments.

Loan origination fee income represents revenue earned from originating mortgage loans held for sale and are reflected in residential mortgage banking activities, when loans are sold.

Variable expenses on residential mortgage banking activities. Loan expenses include indirect costs related to loan origination activities, such as correspondent fees, and are expensed as incurred and are included within variable expenses on residential mortgage banking activities on the Company's consolidated statements of income. The provision for loan indemnification includes the fair value of the incurred liability for mortgage repurchases and indemnifications recognized at the time of loan sale and any other provisions recorded against the loan indemnification reserve. Loan origination costs directly attributable to the processing, underwriting, and closing of a loan are included in the gain on sale of mortgage loans held for sale when loans are sold.

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

Standard	Summary of guidance	Effects on financial statements
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting Issued March 2020	<p>Provides optional expedients and exceptions to GAAP requirements for modifications on debt instruments, leases, derivatives, and other contracts, related to the expected market transition from LIBOR, and certain other floating rate benchmark indices, or collectively, IBORs, to alternative reference rates. The guidance generally considers contract modifications related to reference rate reform to be an event that does not require contract remeasurement at the modification date nor a reassessment of a previous accounting determination.</p>	<p>The Company has loan, security, and debt agreements that incorporate LIBOR as a reference interest rate. It is difficult to predict what effect, if any, the phase-out of LIBOR and the use of alternative benchmarks may have on our business or on the overall financial markets.</p>
	<p>In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope. The amendments in this update refine the scope for certain optional expedients and exceptions for contract modifications and hedge accounting to apply to derivative contracts and certain hedging relationships affected by the discounting transition. Guidance is optional and may be elected over time, through December 31, 2022 using a prospective application on all eligible contract modifications.</p>	
	<p>In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The amendments in this update defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which relief will no longer be permitted.</p>	<p>The Company has not adopted any of the optional expedients or exceptions through March 31, 2023, but will continue to evaluate the possible adoption of any such expedients or exceptions.</p>
ASU 2022-02, Financial Instruments- Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures Issued March 2022	<p>Eliminates the recognition and measurement guidance for TDRs and requires assessment on whether the modification represents a new loan or a continuation of an existing loan. This ASU requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty and vintage disclosures which show the gross write-offs recorded in the current period by origination year. The ASU is effective in reporting periods beginning after December 15, 2022, under a prospective approach.</p>	<p>The ASU became effective in January 2023. The Company adopted the ASU under a prospective approach. The adoption of this standard does not have a material impact on the Company's consolidated financial statements.</p>

Note 5. Business Combinations

On March 16, 2022, the Company acquired the Mosaic Funds, a group of privately held, real estate structured finance opportunities funds, with a focus on construction lending. See Note 1 for more information about the Mosaic Mergers. 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 acquisition.

(in thousands)	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Assets			
Cash and cash equivalents	\$ 100,236	—	100,236
Restricted cash	23,330	—	23,330
Loans, net	432,779	(20,034)	412,745
Investments held to maturity	165,302	(3,735)	161,567
Real estate owned, held for sale	78,693	(33,945)	44,748
Other assets	25,761	(5,097)	20,664
Total assets acquired	\$ 826,101	\$ (62,811)	763,290
Liabilities			
Secured borrowings	\$ 66,202	—	66,202
Loan participations sold	73,656	—	73,656
Due to third parties	24,634	(333)	24,301
Accounts payable and other accrued liabilities	38,182	599	38,781
Total liabilities assumed	\$ 202,674	\$ 2665	202,940
Net assets acquired	\$ 623,427	\$ (63,077)	560,350
Non-controlling interests	(82,257)	(267)	(82,524)
Net assets acquired, net of non-controlling interests	\$ 541,170	\$ (63,344)	477,826

In a business combination, the initial allocation of the purchase price is considered preliminary and therefore, was subject to change until the end of the measurement period. The final determination occurred within one year of the acquisition date. The provisional amounts presented in the table above pertained to the preliminary purchase price allocation reported at the time of the Mosaic Mergers based on information that was available to management. The preliminary purchase price allocation changed as the Company completed its analysis of the fair value of the assets acquired and liabilities assumed, with impacts on the consolidated financial statements recorded as such. 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 by \$63.3 million and decreasing the fair value of the CERs issued by \$59.3 million, with the remainder of the offset recorded as a \$ 4.0 million increase to goodwill as reflected in the table below. In addition, the Company recognized \$2.8 million of interest from non-credit discounts on acquired assets which was reported as interest income in the consolidated statements of income.

The table below illustrates the aggregate consideration transferred, net assets acquired, and the related goodwill.

(in thousands)	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Fair value of net assets acquired	\$ 541,170	\$ (63,344)	477,826
Consideration transferred based on the value of Class B shares issued	437,311	—	437,311
Consideration transferred based on the value of OP units issued	20,745	—	20,745
Fair value of CERs issued	84,348	(59,348)	25,000
Total consideration transferred	\$ 542,404	\$ (59,348)	483,056
Goodwill	\$ (1,234)	\$ (3,996)	\$ (5,230)

The table above includes contingent consideration in the form of CERs valued at approximately \$ 25.0 million or \$0.83 per CER. As of March 31, 2023, the CERs were valued at approximately \$16.6 million or \$0.55 per CER. See Note 7 for more information about the valuation of the CERs.

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As of March 31, 2023, the goodwill recorded in connection with the Mosaic Mergers has been allocated to the SBC Lending and Acquisitions segment.

The following pro-forma income and earnings (unaudited) of the combined company are presented as if the Mosaic Mergers had occurred on January 1, 2023 and January 1, 2022.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2023	2022
Selected Financial Data		
Interest income	\$ 217,573	\$ 137,466
Interest expense	(160,394)	(63,942)
Recovery of (provision for) loan losses	6,734	(1,542)
Non-interest income	44,098	88,474
Non-interest expense	(70,565)	(75,927)
Income before provision for income taxes	\$ 37,446	\$ 84,529
Income tax expense	(391)	(17,849)
Net income	\$ 37,055	\$ 66,680

Non-recurring pro-forma transaction costs directly attributable to the Mosaic Mergers were \$ 0.1 million and \$5.7 million for the three months ended March 31, 2023 and March 31, 2022, 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 Mosaic Mergers.

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 or (ii) loans held at fair value under the fair value option and (iii) loans held for sale at fair value that are accounted for at the lower of cost or fair value. The classification for a loan is based on product type and management's strategy for the loan.

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

Loan portfolio

The table below summarizes the classification, UPB, and carrying value of loans held by the Company including loans of consolidated VIEs.

(in thousands)	March 31, 2023		December 31, 2022	
	Carrying Value	UPB	Carrying Value	UPB
Loans				
Bridge	\$ 1,769,498	\$ 1,774,827	\$ 2,236,333	\$ 2,247,173
Fixed rate	186,158	179,041	182,415	175,285
Construction	479,305	481,558	445,814	448,923
Freddie Mac	10,004	9,896	10,040	9,932
SBA - 7(a)	481,319	499,804	491,532	509,672
Residential	5,146	5,146	4,511	4,511
Other	229,775	233,715	266,702	270,748
Total Loans, before allowance for loan losses	\$ 3,161,205	\$ 3,183,987	\$ 3,637,347	\$ 3,666,244
Allowance for loan losses	\$ (33,008)	\$ —	\$ (61,037)	\$ —
Total Loans, net	\$ 3,128,197	\$ 3,183,987	\$ 3,576,310	\$ 3,666,244
Loans in consolidated VIEs				
Bridge	\$ 5,622,134	\$ 5,656,827	\$ 5,098,539	\$ 5,134,790
Fixed rate	830,071	831,050	856,345	856,914
SBA - 7(a)	58,723	64,567	64,226	70,904
Other	306,015	306,857	322,070	322,975
Total Loans, in consolidated VIEs, before allowance for loan losses	\$ 6,816,943	\$ 6,859,301	\$ 6,341,180	\$ 6,385,583
Allowance for loan losses on loans in consolidated VIEs	\$ (34,772)	\$ —	\$ (29,482)	\$ —
Total Loans, net, in consolidated VIEs	\$ 6,782,171	\$ 6,859,301	\$ 6,311,698	\$ 6,385,583
Loans, held for sale, at fair value				
Fixed rate	\$ 57,962	\$ 68,280	\$ 60,551	\$ 68,280
Freddie Mac	10,146	10,048	13,791	13,611
SBA - 7(a)	43,427	40,589	44,037	41,674
Residential	119,699	118,179	134,642	133,635
Other	5,344	5,206	5,356	4,414
Total Loans, held for sale, at fair value	\$ 236,578	\$ 242,302	\$ 258,377	\$ 261,614
Total Loans, net and Loans, held for sale, at fair value	\$ 10,146,946	\$ 10,285,590	\$ 10,146,385	\$ 10,313,441
Paycheck Protection Program loans				
Paycheck Protection Program loans, held-for-investment	\$ 146,211	\$ 153,111	\$ 186,409	\$ 196,222
Paycheck Protection Program loans, held at fair value	346	346	576	576
Total Paycheck Protection Program loans	\$ 146,557	\$ 153,457	\$ 186,985	\$ 196,798
Total Loan portfolio	\$ 10,293,503	\$ 10,439,047	\$ 10,333,370	\$ 10,510,239

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. In the tables below, Total Loans, net includes Loans, net in consolidated VIEs and a specific allowance for loan losses of \$15.1 million as of March 31, 2023 and \$ 32.8 million, including \$16.0 million of reserves of PCD loans, as of December 31, 2022.

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

(in thousands)	UPB	Carrying Value by Year of Origination							Total
		2023	2022	2021	2020	2019	Pre 2019		
March 31, 2023									
Bridge	\$ 7,431,654	\$ 112,489	\$ 2,978,036	\$ 3,535,656	\$ 332,726	\$ 279,749	\$ 146,648	\$ 7,385,304	
Fixed rate	1,010,091	4,013	96,823	153,927	91,774	333,390	332,712	1,012,639	
Construction	481,558	27,000	30,372	—	10,000	374,280	37,542	479,194	
Freddie Mac	9,896	—	—	3,870	6,134	—	—	10,004	
SBA - 7(a)	564,371	19,942	109,391	74,331	36,091	72,863	223,551	536,169	
Residential	5,146	519	4,105	156	—	—	366	5,146	
Other	540,572	218	5,810	18,647	8,866	45,514	455,498	534,553	
Total Loans, before general allowance for loan losses	\$ 10,043,288	\$ 164,181	\$ 3,224,537	\$ 3,786,587	\$ 485,591	\$ 1,105,796	\$ 1,196,317	\$ 9,963,009	
General allowance for loan losses								\$ (52,641)	
Total Loans, net								\$ 9,910,368	
December 31, 2022									
Bridge	\$ 7,381,963	\$ 2,942,695	\$ 3,575,213	\$ 355,647	\$ 288,957	\$ 137,463	\$ 27,971	\$ 7,327,946	
Fixed rate	1,032,199	96,897	154,077	92,080	343,500	134,666	213,406	1,034,626	
Construction	448,923	27,532	—	10,000	348,622	42,651	—	428,805	
Freddie Mac	9,932	—	3,891	6,149	—	—	—	10,040	
SBA - 7(a)	580,576	110,549	79,946	36,853	77,449	89,085	158,378	552,260	
Residential	4,511	1,719	725	361	422	678	606	4,511	
Other	593,723	5,893	17,015	10,393	74,762	13,832	465,635	587,530	
Total Loans, before general allowance for loan losses	\$ 10,051,827	\$ 3,185,285	\$ 3,830,867	\$ 511,483	\$ 1,133,712	\$ 418,375	\$ 865,996	\$ 9,945,718	
General allowance for loan losses								\$ (57,710)	
Total Loans, net								\$ 9,888,008	

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

(in thousands)	UPB	Carrying Value by Year of Origination							Total
		2023	2022	2021	2020	2019	Pre 2019		
March 31, 2023									
Current and less than 30 days past due	\$ 9,608,149	\$ 164,181	\$ 3,139,050	\$ 3,752,081	\$ 476,044	\$ 979,327	\$ 1,034,485	\$ 9,545,168	
30 - 59 days past due	146,182	—	84,525	972	2,285	50,866	6,065	144,713	
60+ days past due	288,957	—	962	33,534	7,262	75,603	155,767	273,128	
Total Loans, before general allowance for loan losses	\$ 10,043,288	\$ 164,181	\$ 3,224,537	\$ 3,786,587	\$ 485,591	\$ 1,105,796	\$ 1,196,317	\$ 9,963,009	
General allowance for loan losses								\$ (52,641)	
Total Loans, net								\$ 9,910,368	
December 31, 2022									
Current and less than 30 days past due	\$ 9,666,328	\$ 3,099,822	\$ 3,826,140	\$ 501,168	\$ 1,061,145	\$ 298,208	\$ 810,322	\$ 9,596,805	
30 - 59 days past due	111,992	85,403	3,483	1,634	6,654	11,190	1,948	110,312	
60+ days past due	273,507	60	1,244	8,681	65,913	108,977	53,726	238,601	
Total Loans, before general allowance for loan losses	\$ 10,051,827	\$ 3,185,285	\$ 3,830,867	\$ 511,483	\$ 1,133,712	\$ 418,375	\$ 865,996	\$ 9,945,718	
General allowance for loan losses								\$ (57,710)	
Total Loans, net								\$ 9,888,008	

The table below presents the gross write-offs recorded in the current period for loans by year of origination.

(in thousands)	Three Months Ended March 31, 2023							Total
	2023	2022	2021	2020	2019	Pre 2019		
2023	\$ —							—
2022		\$ 123						123
2021			\$ 140					140
2020				\$ 176				176
2019					\$ —			—
Pre-2019						\$ 17,783		17,783
Total						\$ 18,222		

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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, 2023						
Bridge	\$ 7,088,912	\$ 127,728	\$ 168,664	\$ 7,385,304	\$ 136,485	\$ —
Fixed rate	984,724	5,294	22,621	1,012,639	18,614	—
Construction	428,035	—	51,159	479,194	51,160	—
Freddie Mac	6,911	—	3,093	10,004	3,093	—
SBA - 7(a)	524,987	8,621	2,561	536,169	15,277	—
Residential	3,896	—	1,250	5,146	1,250	—
Other	507,703	3,070	23,780	534,553	25,803	—
Total Loans, before general allowance for loan losses	\$ 9,545,168	\$ 144,713	\$ 273,128	\$ 9,963,009	\$ 251,682	\$ —
General allowance for loan losses				\$ (52,641)		
Total Loans, net				\$ 9,910,368		
Percentage of loans outstanding	95.8%	1.5%	2.7%	100%	2.5%	0.0%
December 31, 2022						
Bridge	\$ 7,120,162	\$ 94,823	\$ 112,961	\$ 7,327,946	\$ 113,360	\$ —
Fixed rate	993,832	8,101	32,693	1,034,626	28,719	—
Construction	372,812	—	55,993	428,805	55,993	—
Freddie Mac	6,947	—	3,093	10,040	3,093	—
SBA - 7(a)	541,378	6,690	4,192	552,260	12,790	—
Residential	2,871	—	1,640	4,511	1,306	—
Other	558,803	698	28,029	587,530	27,544	—
Total Loans, before general allowance for loan losses	\$ 9,596,805	\$ 110,312	\$ 238,601	\$ 9,945,718	\$ 242,805	\$ —
General allowance for loan losses				\$ (57,710)		
Total Loans, net				\$ 9,888,008		
Percentage of loans outstanding	96.5%	1.1%	2.4%	100%	2.4%	0.0%

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%
March 31, 2023						
Bridge	\$ 736	\$ 99,589	\$ 694,857	\$ 6,423,805	\$ 143,403	\$ 22,914
Fixed rate	8,499	30,350	431,044	526,064	11,180	5,502
Construction	10,946	14,262	53,742	375,827	24,417	—
Freddie Mac	—	—	3,041	6,963	—	10,004
SBA - 7(a)	7,057	45,868	90,306	178,384	82,289	132,265
Residential	—	921	630	973	1,816	806
Other	142,134	183,413	117,651	68,513	17,810	5,032
Total Loans, before general allowance for loan losses	\$ 169,372	\$ 374,403	\$ 1,391,271	\$ 7,580,529	\$ 280,915	\$ 166,519
General allowance for loan losses					\$ (52,641)	
Total Loans, net						\$ 9,910,368
Percentage of loans outstanding	1.7%	3.7%	14.0%	76.1%	2.8%	1.7%
December 31, 2022						
Bridge	\$ 717	\$ 104,606	\$ 700,835	\$ 6,331,353	\$ 167,521	\$ 22,914
Fixed rate	9,102	35,459	386,040	578,456	17,056	8,513
Construction	10,817	12,910	26,387	349,085	24,142	5,464
Freddie Mac	—	—	3,056	6,984	—	10,040
SBA - 7(a)	7,275	45,366	92,592	189,733	78,577	138,717
Residential	—	934	300	901	1,716	660
Other	173,720	214,370	115,934	70,124	8,153	5,229
Total Loans, before general allowance for loan losses	\$ 201,631	\$ 413,645	\$ 1,325,144	\$ 7,526,636	\$ 297,165	\$ 181,497
General allowance for loan losses					\$ (57,710)	
Total Loans, net						\$ 9,888,008
Percentage of loans outstanding	2.0%	4.2%	13.3%	75.7%	3.0%	1.8%

(1) LTV is calculated using carrying amount as a percentage of current collateral value

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

Geographic Concentration (% of UPB)	March 31, 2023	December 31, 2022
Texas	20.0 %	20.1 %
California	11.3	11.1
Georgia	7.5	7.6
Arizona	6.4	6.8
Florida	6.4	6.3
New York	5.1	5.5
Oregon	4.6	4.4
North Carolina	4.3	4.2
Illinois	4.0	3.9
Ohio	3.2	3.2
Other	27.2	26.9
Total	100.0 %	100.0 %

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

Collateral Concentration (% of UPB)	March 31, 2023	December 31, 2022
Multi-family	67.6 %	67.0 %
Mixed Use	8.2	8.1
SBA	5.6	5.8
Retail	5.1	5.5
Industrial	5.1	5.0
Office	4.9	4.9
Lodging/Residential	1.6	1.6
Other	1.9	2.1
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, 2023	December 31, 2022
Lodging	22.8 %	14.6 %
Offices of Physicians	8.0	7.5
Gasoline Service Stations	7.8	2.5
Eating Places	6.9	3.7
Child Day Care Services	6.6	5.7
General Freight Trucking, Local	2.5	2.5
Veterinarians	1.7	1.6
Grocery Stores	1.7	1.6
Funeral Service & Crematories	1.3	1.2
Coin-Operated Laundries and Drycleaners	1.0	0.8
Other	39.7	58.3
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)	Residential	Other	Total Allowance for loan losses
March 31, 2023							
General	\$ 33,991	\$ 5,495	\$ 262	\$ 11,237	\$ —	\$ 1,656	\$ 52,641
Specific	6,328	3,590	111	3,873	—	1,237	15,139
Ending balance	\$ 40,319	\$ 9,085	\$ 373	\$ 15,110	\$ —	\$ 2,893	\$ 67,780
December 31, 2022							
General	\$ 42,979	\$ 2,397	\$ 325	\$ 10,801	\$ —	\$ 1,208	\$ 57,710
Specific	6,926	4,134	1,037	3,498	—	1,242	16,837
PCD	—	—	15,972	—	—	—	15,972
Ending balance	\$ 49,905	\$ 6,531	\$ 17,334	\$ 14,299	\$ —	\$ 2,450	\$ 90,519

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

(in thousands)	Bridge	Fixed Rate	Construction	SBA - 7(a)	Residential	Other	Total Allowance for loan losses
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
Three Months Ended March 31, 2022							
Beginning balance	\$ 19,519	\$ 6,861	—	\$ 12,180	\$ 60	\$ 6,757	\$ 45,377
Provision for (recoveries of) loan losses	359	(337)	323	1,272	—	(376)	1,241
PCD	—	—	5,000	—	—	—	5,000
Charge-offs and sales	—	—	—	(173)	—	—	(173)
Recoveries	—	—	—	(46)	—	(155)	(201)
Ending balance	\$ 19,878	\$ 6,524	\$ 5,323	\$ 13,233	\$ 60	\$ 6,226	\$ 51,244

The table above excludes \$1.6 million and \$0.6 million of allowance for loan losses on unfunded lending commitments as of March 31, 2023 and March 31, 2022, 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.

(in thousands)	March 31, 2023	December 31, 2022
Non-accrual loans		
With an allowance	\$ 180,986	\$ 197,101
Without an allowance	70,696	45,704
Total recorded carrying value of non-accrual loans	\$ 251,682	\$ 242,805
Allowance for loan losses related to non-accrual loans	\$ (15,027)	\$ (32,809)
UPB of non-accrual loans	\$ 269,346	\$ 278,401
Interest income on non-accrual loans for the three months ended		
	\$ 818	\$ 46

PCD loans

The Company did not acquire any PCD loans during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company acquired \$22.0 million of credit deteriorated loans in connection with the Mosaic Mergers.

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.

The table below presents loan modifications made to borrowers experiencing financial difficulty.

	Three Months Ended March 31, 2023		
(in thousands)	Carrying Value	% of Total Carrying Value of Loans, net	Financial Effect
SBC loans modified during the period ended			
Term extension	\$ 23,356	0.24 %	1 year added to the weighted average life of the loans
Other-than-insignificant payment delay	117	0.00	31 months of payment deferral
			12 months of payment deferral and 1.5 years added to the weighted average life of the loan
Combination - Term extension and other-than-insignificant payment delay	26,742	0.27	
SBA loans modified during the period ended			
Term extension	\$ 10	0.00 %	8.7 years added to the weighted average life of the loans
Other-than-insignificant payment delay	659	0.01	6 months of payment deferral

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The Company monitors the performance of loans modified to borrowers experiencing financial difficulty. The table below presents the performance of loans that have been modified in the last 12 months to borrowers experiencing financial difficulty. The Company considers loans that are 30 days past due to be in payment default.

(in thousands)	Three Months Ended March 31, 2023			
	Current	30-59 days past due	60+ days past due	Total
SBC				
Term extension	\$ 23,356	\$ —	\$ —	\$ 23,356
Other-than-insignificant payment delay	117	—	—	117
Combination - Term extension and other-than-insignificant payment delay	—	—	26,742	26,742
SBA				
Term extension	\$ 10	\$ —	\$ —	\$ 10
Other-than-insignificant payment delay	659	—	—	659

As of March 31, 2023, the Company did not have any lending commitments to borrowers experiencing financial difficulty for which the Company has modified the loan terms.

The Company's allowance for loan losses reflects our estimate 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.

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 unpaid principal balance. 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. Fair value measurements of residential MSRs are sensitive to changes in

assumptions regarding prepayments, discount rates, and cost of servicing. Fair value measurements of derivative instruments, specifically IRLC's, are sensitive to changes in assumptions related to origination pull-through rates, servicing fee multiples, and percentages of unpaid principal balances. Origination pull-through rates are also dependent on factors such as market interest rates, type of origination, length of lock, purpose of the loan (purchase or refinance), type of loan (fixed or variable), and the processing status of the loan.

Liabilities recognized in relation to mergers and acquisitions that are accounted for as contingent consideration are classified as Level 3 in the fair value hierarchy with fair value adjustments reported within other income (loss) in the consolidated statements of income. Contingent consideration also consists of CERs. 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. Subsequent to the determination of the preliminary purchase price allocation, based on updated valuations obtained, the Company recorded a measurement period adjustment of \$59.3 million to decrease the fair value of the CERs in connection with the Mosaic Mergers. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Mosaic Mergers.

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.

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

(in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2023				
Assets:				
Money market funds ^(a)	\$ 18,917	\$ —	\$ —	\$ 18,917
Loans, held for sale, at fair value	—	178,248	58,330	236,578
Loans, net, at fair value	—	—	9,859	9,859
Paycheck Protection Program loans	—	346	—	346
MBS, at fair value	—	32,607	—	32,607
Derivative instruments, at fair value	—	11,794	1,979	13,773
Residential MSRs, at fair value	—	—	188,985	188,985
Investment in unconsolidated joint ventures	—	—	7,913	7,913
Preferred equity investment ^(b)	—	—	108,423	108,423
Total assets	\$ 18,917	\$ 222,995	\$ 375,489	\$ 617,401
Liabilities:				
Derivative instruments, at fair value	\$ —	\$ 2,639	\$ —	\$ 2,639
Contingent consideration	—	—	16,636	16,636
Total liabilities	\$ —	\$ 2,639	\$ 16,636	\$ 19,275
December 31, 2022				
Assets:				
Money market funds ^(a)	\$ 44,611	\$ —	\$ —	\$ 44,611
Loans, held for sale, at fair value	—	197,453	60,924	258,377
Loans, net, at fair value	—	—	9,786	9,786
Paycheck Protection Program loans	—	576	—	576
MBS, at fair value	—	32,041	—	32,041
Derivative instruments, at fair value	—	12,846	117	12,963
Residential MSRs, at fair value	—	—	192,203	192,203
Investment in unconsolidated joint ventures	—	—	8,094	8,094
Preferred equity investment ^(b)	—	—	108,423	108,423
Total assets	\$ 44,611	\$ 242,916	\$ 379,547	\$ 667,074
Liabilities:				
Derivative instruments, at fair value	\$ —	\$ 1,586	\$ —	\$ 1,586
Contingent consideration	—	—	28,500	28,500
Total liabilities	\$ —	\$ 1,586	\$ 28,500	\$ 30,086

(a) Money market funds are included in cash and cash equivalents on the consolidated balance sheet

(b) Preferred equity investments held through consolidated joint ventures are included in assets of consolidated VIEs on the consolidated balance sheet

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

(in thousands)	Fair Value	Predominant Valuation Technique ^(a)	Type	Range	Weighted Average
March 31, 2023					
Residential MSRs, at fair value	\$ 188,985	Income Approach	Forward prepayment rate Discount rate Servicing expense	(b)	(b)
Investment in unconsolidated joint ventures	\$ 7,913	Income Approach	Discount rate	9.0%	9.0%
Derivative instruments, at fair value	\$ 1,979	Market Approach	Origination pull-through rate Servicing Fee Multiple Percentage of unpaid principal balance	53.88% - 100% 0.07 - 2.9% 0.02 - 0.07	80% 4.3% 1.5%
Preferred equity investment	\$ 108,423	Income Approach	Discount rate	10.5%	10.5%
Contingent consideration- Mosaic CER dividends	\$ (4,003)	Monte Carlo Simulation Model	Equity volatility Discount rate	1.89% 11.54%	1.89% 11.54%
Contingent consideration- Mosaic CER units	\$ (12,633)	Income approach and PWERM Model	Revaluation discount rate Discount rate	12% 11.54%	12% 11.54%
December 31, 2022					
Residential MSRs, at fair value	\$ 192,203	Income Approach	Forward prepayment rate Discount rate Servicing expense	(b)	(b)
Investment in unconsolidated joint ventures	\$ 8,094	Income Approach	Discount rate	9.0%	9.0%
Derivative instruments, at fair value	\$ 117	Market Approach	Origination pull-through rate Servicing Fee Multiple Percentage of unpaid principal balance	53.9% - 100% 2.0 - 7.2% 0.5 - 3.2%	83% 4.7% 1.6%
Preferred equity investment	\$ 108,423	Income Approach	Discount rate	10.5%	10.5%
Contingent consideration- Mosaic CER dividends	\$ (4,587)	Monte Carlo Simulation Model	Equity volatility Discount rate	35.0% 11.9%	35.0% 11.9%
Contingent consideration- Mosaic CER units	\$ (14,913)	Income approach and PWERM Model	Revaluation discount rate Discount rate	12.0% 11.9%	12.0% 11.9%

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

(b) Refer to Note 9 - Servicing Rights for more information on residential MSRs unobservable inputs.

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Included within Level 3 assets of \$375.5 million as of March 31, 2023 and \$379.5 million as of December 31, 2022, is \$68.2 million and \$70.7 million, respectively, of quoted or transaction prices in which quantitative unobservable inputs are not developed by the Company when measuring fair value. Included within Level 3 liabilities of \$28.5 million as of December 31, 2022, is \$9.0 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)	MBS	Derivatives	Loans, net	Loans, held for sale, at fair value	Investments held to maturity	PPP loans	Residential MSRs	Investment in unconsolidated joint ventures	Contingent consideration	Preferred Equity investments	Total
Three Months Ended March 31, 2023											
Beginning Balance	\$ —	\$ 117	\$ 9,786	\$ 60,924	\$ —	\$ —	\$ 192,203	\$ 8,094	\$ (28,500)	\$ 108,423	\$ 351,047
Additions due to loans sold, servicing retained	—	—	—	—	—	—	4,593	—	—	—	4,593
Sales / Principal payments	—	—	—	(11)	—	—	(1,718)	—	9,000	—	7,271
Unrealized gains (losses), net	—	1,862	73	(2,583)	—	—	(6,093)	(181)	2,864	—	(4,058)
Ending Balance	\$ —	\$ 1,979	\$ 9,859	\$ 58,330	\$ —	\$ —	\$ 188,985	\$ 7,913	\$ (16,636)	\$ 108,423	\$ 358,853
Three Months Ended March 31, 2022											
Beginning Balance	\$ 1,581	\$ 2,339	\$ 10,766	\$ 231,865	\$ —	\$ 3,243	\$ 120,142	\$ 8,894	\$ (16,400)	\$ —	\$ 362,430
Purchases or Originations	—	—	—	17,570	—	—	—	—	—	—	17,570
Additions due to loans sold, servicing retained	—	—	—	—	—	—	10,506	—	—	—	10,506
Sales / Principal payments	—	—	—	(32,594)	—	(1,400)	(3,412)	—	9,000	—	(28,406)
Realized gains (losses), net	—	—	—	(786)	—	—	—	—	—	—	(786)
Unrealized gains (losses), net	44	(4,955)	(44)	(10,760)	—	—	32,598	(284)	(400)	—	16,199
Merger	—	—	—	—	17,053	—	—	—	(84,348)	—	(67,295)
Transfer to (from) Level 3	5,389	—	—	(1,337)	—	(1,843)	—	—	—	—	2,209
Ending Balance	\$ 7,014	\$ (2,616)	\$ 10,722	\$ 203,958	\$ 17,053	\$ —	\$ 159,834	\$ 8,610	\$ (92,148)	\$ —	\$ 312,427

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, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Loans, net	\$ 9,900,509	\$ 9,680,701	\$ 9,878,222	\$ 9,610,412
Paycheck Protection Program loans	146,211	146,211	186,409	196,222
Investments held to maturity	3,306	3,320	3,306	3,306
Purchased future receivables, net	10,568	10,568	8,246	8,246
Servicing rights	89,951	95,620	87,117	91,698
Total assets	\$ 10,150,545	\$ 9,936,420	\$ 10,163,300	\$ 9,909,884
Liabilities:				
Secured borrowings	\$ 2,484,902	\$ 2,484,902	\$ 2,846,293	\$ 2,846,293
Paycheck Protection Program Liquidity Facility borrowings	169,596	169,596	201,011	201,011
Securitized debt obligations of consolidated VIEs, net	5,300,967	5,105,516	4,903,350	4,748,291
Senior secured note, net	343,798	309,043	343,355	312,975
Guaranteed loan financing	238,948	248,635	264,889	275,316
Convertible notes, net	114,689	114,104	114,397	113,823
Corporate debt, net	663,623	612,396	662,665	614,744
Total liabilities	\$ 9,316,523	\$ 9,044,192	\$ 9,335,960	\$ 9,112,453

Other assets of \$63.9 million as of March 31, 2023 and \$59.0 million as of December 31, 2022, are not carried at fair value and include due from servicers and accrued interest, which are presented in Note 19 – Other Assets and Other Liabilities. Receivables from third parties of \$21.0 million as of March 31, 2023 and \$15.1 million as of December 31, 2022, are not carried at fair value but generally approximates fair value and are classified as Level 3. Accounts payable and other accrued liabilities of \$47.1 million as of March 31, 2023 and \$42.6 million as of December 31, 2022 are not carried at fair value and include payables to related parties and accrued interest payable which are included in Note 19. For these instruments, carrying value generally approximates fair value and are classified as Level 3.

Note 8. Investments held to maturity

The table below presents information about investments held to maturity as of March 31, 2023 and December 31, 2022.

(in thousands)	Weighted Average Interest Rate (a)	Amortized Cost		Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		Cost	Fair Value			
March 31, 2023						
Less than one year	12.0 %	\$ 306	\$ 306	\$ —	\$ —	\$ —
Construction preferred equities	12.0 %	\$ 306	\$ 306	\$ —	\$ —	\$ —
One to five years	10.0 %	\$ 3,000	\$ 3,000	\$ —	\$ —	\$ —
Multi-family preferred equities	10.0 %	\$ 3,000	\$ 3,000	\$ —	\$ —	\$ —
Total investments held to maturity	10.3 %	\$ 3,306	\$ 3,306	\$ —	\$ —	\$ —
December 31, 2022						
Less than one year	12.0 %	\$ 306	\$ 306	\$ —	\$ —	\$ —
Construction preferred equities	12.0 %	\$ 306	\$ 306	\$ —	\$ —	\$ —
One to five years	10.0 %	\$ 3,000	\$ 3,000	\$ —	\$ —	\$ —
Multi-family preferred equities	10.0 %	\$ 3,000	\$ 3,000	\$ —	\$ —	\$ —
Total investments held to maturity	10.3 %	\$ 3,306	\$ 3,306	\$ —	\$ —	\$ —

(a) Weighted based on current principal balance

Provision for credit losses on held to maturity securities was not material for the three months ended March 31, 2023 or March 31, 2022.

Subsequent to the determination of the preliminary purchase price allocation, based on updated valuations obtained, the Company recorded a measurement period adjustment of \$3.7 million to decrease the value of investments held to maturity in connection with the Mosaic Mergers. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Mosaic Mergers.

Note 9. 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,	
		2023	2022
SBA servicing rights, at amortized cost			
Beginning net carrying amount		\$ 19,756	\$ 22,157
Additions due to loans sold, servicing retained		1,512	1,734
Amortization		(835)	(949)
Recovery (impairment)		1,607	(51)
Ending net carrying amount		\$ 22,040	\$ 22,891
Multi-family servicing rights, at amortized cost			
Beginning net carrying amount		\$ 67,361	\$ 62,300
Additions due to loans sold, servicing retained		3,081	1,463
Amortization		(2,531)	(2,345)
Ending net carrying amount		\$ 67,911	\$ 61,418
Total servicing rights, at amortized cost		\$ 89,951	\$ 84,309
Residential MSRs, at fair value			
Beginning net carrying amount		\$ 192,203	\$ 120,142
Additions due to loans sold, servicing retained		4,593	10,506
Loan pay-offs		(1,718)	(3,412)
Unrealized gains (losses)		(6,093)	32,598
Ending fair value amount		\$ 188,985	\$ 159,834
Total servicing rights		\$ 278,936	\$ 244,143

Servicing rights – SBA and multi-family portfolio. 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

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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 SBA and multi-family servicing rights.

(in thousands)	As of March 31, 2023			As of December 31, 2022		
	UPB	Carrying Value	UPB	Carrying Value		
SBA	\$ 1,051,612	\$ 22,040	\$ 1,019,770	\$ 19,756		
Multi-family	4,999,057	67,911	4,839,028	67,361		
Total	\$ 6,050,669	\$ 89,951	\$ 5,858,798	\$ 87,117		

The table below presents significant assumptions used in the estimated valuation of SBA and multi-family servicing rights carried at amortized cost.

	March 31, 2023			December 31, 2022					
	Range of input values		Weighted Average	Range of input values		Weighted Average			
SBA servicing rights									
Forward prepayment rate	10.1	-	21.9 %	10.5	%	10.2	-	21.6 %	10.6 %
Forward default rate	0.0	-	9.9 %	9.2	%	0.0	-	10.0 %	9.2 %
Discount rate	15.4	-	23.5 %	15.8	%	18.0	-	31.4 %	18.7 %
Servicing expense	0.4	-	0.4 %	0.4	%	0.4	-	0.4 %	0.4 %
Multi-family servicing rights									
Forward prepayment rate	0.0	-	7.5 %	3.5	%	0.0	-	7.2 %	3.5 %
Forward default rate	0.0	-	1.1 %	0.8	%	0.0	-	1.1 %	0.8 %
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 SBA and multi-family servicing rights.

(in thousands)	March 31, 2023		December 31, 2022	
SBA servicing rights				
Forward prepayment rate				
Impact of 10% adverse change	\$	(689)	\$	(578)
Impact of 20% adverse change	\$	(1,339)	\$	(1,125)
Default rate				
Impact of 10% adverse change	\$	(145)	\$	(125)
Impact of 20% adverse change	\$	(289)	\$	(249)
Discount rate				
Impact of 10% adverse change	\$	(897)	\$	(861)
Impact of 20% adverse change	\$	(1,717)	\$	(1,642)
Servicing expense				
Impact of 10% adverse change	\$	(1,373)	\$	(1,228)
Impact of 20% adverse change	\$	(2,746)	\$	(2,455)
Multi-family servicing rights				
Forward prepayment rate				
Impact of 10% adverse change	\$	(265)	\$	(271)
Impact of 20% adverse change	\$	(525)	\$	(537)
Default rate				
Impact of 10% adverse change	\$	(21)	\$	(22)
Impact of 20% adverse change	\$	(42)	\$	(44)
Discount rate				
Impact of 10% adverse change	\$	(2,104)	\$	(2,057)
Impact of 20% adverse change	\$	(4,102)	\$	(4,012)
Servicing expense				
Impact of 10% adverse change	\$	(2,632)	\$	(2,685)
Impact of 20% adverse change	\$	(5,264)	\$	(5,370)

The table below presents estimated future amortization expense for SBA and multi-family servicing rights.

(in thousands)	March 31, 2023	
	2023	\$ 10,538
2024		12,231
2025		10,913
2026		9,672
2027		8,618
Thereafter		37,979
Total		\$ 89,951

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Residential MSRs. The Company's residential MSRs consist of conforming conventional loans sold to Fannie Mae and Freddie Mac or loans securitized in Ginnie Mae securities. Similarly, the government loans serviced by the Company are securitized through Ginnie Mae, whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Department of Veteran Affairs.

The table below presents additional information about residential MSRs carried at fair value.

(in thousands)	March 31, 2023		December 31, 2022	
	UPB	Fair Value	UPB	Fair Value
Fannie Mae	\$ 4,539,967	\$ 64,188	\$ 4,492,990	\$ 64,914
Freddie Mac	4,508,391	66,998	4,499,992	68,208
Ginnie Mae	3,108,122	57,799	3,085,038	59,081
Total	\$ 12,156,480	\$ 188,985	\$ 12,078,020	\$ 192,203

The table below presents significant assumptions used in the valuation of residential MSRs carried at fair value.

	March 31, 2023		December 31, 2022	
	Range of input values	Weighted Average	Range of input values	Weighted Average
Residential MSRs				
Forward prepayment rate	5.8 - 17.9 %	7.0 %	6.0 - 21.5 %	6.3 %
Discount rate	9.5 - 13.8 %	10.1 %	9.5 - 12.0 %	10.1 %
Servicing expense	\$70 - \$95	\$74	\$70 - \$85	\$74

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 the fair value of residential MSRs.

(in thousands)	March 31, 2023	December 31, 2022
Residential MSRs		
Prepayment rate		
Impact of 10% adverse change	\$ (5,556)	\$ (5,620)
Impact of 20% adverse change	\$ (10,817)	\$ (10,948)
Discount rate		
Impact of 10% adverse change	\$ (8,620)	\$ (8,906)
Impact of 20% adverse change	\$ (16,527)	\$ (17,066)
Servicing expense		
Impact of 10% adverse change	\$ (2,692)	\$ (2,689)
Impact of 20% adverse change	\$ (5,385)	\$ (5,378)

Note 10. Residential mortgage banking activities and variable expenses on residential mortgage banking activities

Residential mortgage banking activities reflects revenue within the Company's residential mortgage banking business directly related to loan origination and sale activity. This primarily consists of the realized gains on sales of residential loans held for sale and loan origination fee income. Residential mortgage banking activities also consists of unrealized gains and losses associated with the changes in fair value of the loans held for sale, the fair value of retained MSR additions, and the realized and unrealized gains and losses from derivative instruments. Variable expenses include correspondent fee expenses and other direct expenses relating to these loans, which vary based on loan origination volumes.

The table below presents the components of residential mortgage banking activities and associated variable expenses.

(in thousands)	Three Months Ended March 31,	
	2023	2022
Realized and unrealized gain (loss) of residential mortgage loans held for sale, at fair value	\$ 2,891	\$ (5,087)
Creation of new MSRs, net of payoffs	2,875	7,094
Loan origination fee income on residential mortgage loans	2,526	4,110
Unrealized gain on IRLCs and other derivatives	877	2,307
Residential mortgage banking activities	\$ 9,169	\$ 8,424
Variable expenses on residential mortgage banking activities	\$ (5,485)	\$ (979)

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Note 11. 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, 2023	December 31, 2022	
3	SBA loans	October 2023 – March 2025	SOFR + 2.875% Prime - 0.55% 1 ML + 7.00%	\$ 250,000	\$ 235,036	\$ 162,839	\$ 160,903	
2	SBC loans - USD	June 2023 – February 2024	SOFR + 1.35%	360,000	360,009	109,336	111,966	
1	SBC loans - Non-USD ⁽⁴⁾	June 2026	SONIA + 3.25%	123,370	50,716	36,317	61,596	
5	Residential loans	May 2023 – November 2023	Variable Pricing	440,000	122,850	118,641	132,658	
1	Residential MSRs	February 2026	SOFR + 3.00%	120,000	131,185	97,881	49,900	
1	Purchased future receivables	October 2023	1 ML + 4.50%	50,000	—	—	—	
Total borrowings under credit facilities and other financing agreements				\$ 1,343,370	\$ 899,796	\$ 525,014	\$ 517,023	
7	SBC loans	November 2023 – March 2026	1 MT + 2.00% SOFR + 2.46%	\$ 3,870,500	\$ 1,920,195	\$ 1,527,847	\$ 1,905,358	
1	SBC loans - Non-USD ⁽⁴⁾	January 2024	EURIBOR + 3.00%	216,780	46,724	39,174	—	
6	MBS	April 2023 – August 2023	6.93%	392,867	773,823	392,867	423,912	
Total borrowings under repurchase agreements				\$ 4,480,147	\$ 2,740,742	\$ 1,959,888	\$ 2,329,270	
Total secured borrowings				\$ 5,823,517	\$ 3,640,538	\$ 2,484,902	\$ 2,846,293	

(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, 2023 and December 31, 2022, certain financing counterparties covenants calculations were amended to exclude the PPPLF from certain covenant calculations. As of both March 31, 2023 and December 31, 2022 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, 2023	December 31, 2022
Collateral pledged - borrowings under credit facilities and other financing agreements		
Loans, held for sale, at fair value	\$ 136,181	\$ 146,721
Loans, net	632,430	630,910
MSRs	131,185	133,122
Total	\$ 899,796	910,753
Collateral pledged - borrowings under repurchase agreements		
Loans, net	\$ 1,940,993	\$ 2,496,880
MBS	26,219	27,015
Retained interest in assets of consolidated VIEs	747,604	753,099
Loans, held for sale, at fair value	20,428	60,551
Loans, held at fair value	4,007	3,974
Real estate acquired in settlement of loans	1,491	1,491
Total	\$ 2,740,742	3,343,010
Total collateral pledged on secured borrowings	\$ 3,640,538	4,253,763

Note 12. Senior secured notes, convertible 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.

Convertible notes, net

On August 9, 2017, the Company closed an underwritten public sale of \$ 115.0 million aggregate principal amount of its 7.00% convertible senior notes due 2023 ("Convertible Notes"). As of March 31, 2023, the conversion rate was 1.6548 shares of common stock per \$25 principal amount of the Convertible Notes, which is equivalent to a conversion price of approximately \$15.11 per share of common stock. Upon conversion, holders will receive, at the Company's discretion, cash, shares of the Company's common stock or a combination thereof.

The Company may redeem all or any portion of the Convertible Notes on or after August 15, 2021, if the last reported sale price of the Company's common stock has been at least 120% of the conversion price in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price payable in cash equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest. Additionally, upon the occurrence of certain corporate transactions, holders may require the Company to purchase the Convertible Notes for cash at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest.

The Convertible Notes will be convertible only upon satisfaction of one or more of the following conditions: (1) the closing market price of the Company's common stock is greater than or equal to 120% of the conversion price of the respective Convertible Notes for at least 20 out of 30 days prior to the end of the preceding fiscal quarter, (2) the trading price of the Convertible Notes is less than 98% of the product of (i) the conversion rate and (ii) the closing price of the Company's common stock during any five consecutive trading day period, (3) the Company issues certain equity instruments at less than the 10 day average closing market price of its common stock or the per-share value of certain distributions exceeds the market price of the Company's common stock by more than 10%, or (4) certain other specified corporate events (significant consolidation, sale, merger share exchange, etc.) occur.

At issuance, the Company allocated \$112.7 million and \$2.3 million of the carrying value of the Convertible Notes to its debt and equity components, respectively, before the allocation of deferred financing costs.

As of March 31, 2023, the Company was in compliance with all covenants with respect to the Convertible 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.

As of March 31, 2023, the Company was in compliance with all covenants with respect to Corporate debt.

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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, 2023.

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

<i>(in thousands)</i>	Coupon Rate	Maturity Date	March 31, 2023
Senior secured notes principal amount ⁽¹⁾	4.50 %	10/20/2026	\$ 350,000
Unamortized deferred financing costs - Senior secured notes			(6,202)
Total Senior secured notes, net			\$ 343,798
Convertible notes principal amount ⁽²⁾	7.00 %	8/15/2023	115,000
Unamortized discount - Convertible notes ⁽³⁾			(77)
Unamortized deferred financing costs - Convertible notes			(234)
Total Convertible notes, net			\$ 114,689
Corporate debt principal amount ⁽⁴⁾	5.50 %	12/30/2028	110,000
Corporate debt principal amount ⁽⁵⁾	6.20 %	7/30/2026	104,613
Corporate debt principal amount ⁽⁵⁾	5.75 %	2/15/2026	206,270
Corporate debt principal amount ⁽⁶⁾	6.125 %	4/30/2025	120,000
Corporate debt principal amount ⁽⁷⁾	7.375 %	7/31/2027	100,000
Unamortized discount - corporate debt			(9,141)
Unamortized deferred financing costs - corporate debt			(4,369)
Junior subordinated notes principal amount ⁽⁸⁾	3ML + 3.10 %	3/30/2035	15,000
Junior subordinated notes principal amount ⁽⁹⁾	3ML + 3.10 %	4/30/2035	21,250
Total corporate debt, net			\$ 663,623
Total carrying amount of debt			\$ 1,122,110
Total carrying amount of conversion option of equity components recorded in equity			\$ 77

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

(2) Interest on the convertible notes is payable quarterly on February 15, May 15, August 15, and November 15 of each year.

(3) Represents the discount created by separating the conversion option from the debt host instrument.

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

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

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

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

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

(9) 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, convertible notes, and corporate debt.

<i>(in thousands)</i>	March 31, 2023
2023	\$ 115,000
2024	—
2025	120,000
2026	660,883
2027	100,000
Thereafter	146,250
Total contractual amounts	\$ 1,142,133
Unamortized deferred financing costs, discounts, and premiums, net	(20,023)
Total carrying amount of debt	\$ 1,122,110

Note 13. 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 \$239.6 million and \$265.6 million as of March 31, 2023 and December 31, 2022, respectively.

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

(in thousands)	Weighted Average Interest Rate	Range of Interest Rates	Range of Maturity (Years)	Ending Balance
March 31, 2023	7.87 %	1.45-9.25 %	2023-2046	\$ 238,948
December 31, 2022	6.68 %	1.45-8.50 %	2023-2046	\$ 264,889

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

(in thousands)	March 31, 2023
2023	\$ 149
2024	859
2025	1,136
2026	3,881
2027	11,475
Thereafter	221,448
Total	\$ 238,948

Note 14. 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 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.

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 SBC 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.

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

(in thousands)	March 31, 2023			December 31, 2022		
	Current Principal Balance	Carrying value	Weighted Average Interest Rate	Current Principal Balance	Carrying value	Weighted Average Interest Rate
ReadyCap Lending Small Business Trust 2019-2	\$ 43,189	\$ 42,804	7.0 %	\$ 49,031	\$ 48,518	4.0 %
Sutherland Commercial Mortgage Trust 2017-SBC6	5,386	5,296	5.0	7,386	7,273	4.3
Sutherland Commercial Mortgage Trust 2019-SBC8	116,818	115,053	2.9	120,916	119,072	2.9
Sutherland Commercial Mortgage Trust 2021-SBC10	102,608	101,062	1.6	109,622	107,969	1.6
ReadyCap Commercial Mortgage Trust 2015-2	2,167	1,926	5.2	2,726	2,442	5.1
ReadyCap Commercial Mortgage Trust 2016-3	11,732	11,603	5.1	11,950	11,787	5.1
ReadyCap Commercial Mortgage Trust 2018-4	53,380	52,432	4.7	58,838	57,857	4.3
ReadyCap Commercial Mortgage Trust 2019-5	105,388	103,220	4.6	111,184	108,859	4.5
ReadyCap Commercial Mortgage Trust 2019-6	204,357	202,040	3.4	209,930	207,464	3.3
ReadyCap Commercial Mortgage Trust 2022-7	193,041	190,145	4.1	197,498	194,456	4.2
Ready Capital Mortgage Financing 2019-FL3	59,508	59,508	6.8	59,508	59,508	3.5
Ready Capital Mortgage Financing 2020-FL4	188,928	188,881	8.0	192,419	192,213	4.8
Ready Capital Mortgage Financing 2021-FL5	377,996	376,512	6.0	415,166	413,101	3.1
Ready Capital Mortgage Financing 2021-FL6	498,855	495,345	5.8	502,220	497,891	2.9
Ready Capital Mortgage Financing 2021-FL7	743,848	739,197	6.1	743,848	738,246	3.2
Ready Capital Mortgage Financing 2022-FL8	913,675	907,341	6.3	913,675	906,307	3.7
Ready Capital Mortgage Financing 2022-FL9	588,202	581,453	7.6	587,722	579,823	5.9
Ready Capital Mortgage Financing 2022-FL10	651,910	644,030	7.3	651,460	642,578	7.9
Ready Capital Mortgage Financing 2023-FL11	482,312	475,467	7.7	—	—	—
Total	\$ 5,343,300	\$ 5,293,315	6.3 %	\$ 4,945,099	\$ 4,895,364	4.3 %

The table above excludes non-company sponsored securitized debt obligations of \$ 7.7 million and \$8.0 million that are consolidated in the consolidated balance sheets as of March 31, 2023 and December 31, 2022, 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.

Joint Venture Investments- VIEs

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.

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, 2023, the Company's financial results on joint venture investments identified as consolidated VIEs were not material.

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Assets and liabilities of consolidated VIEs

The table below presents assets and liabilities of consolidated VIEs.

(in thousands)	March 31, 2023	December 31, 2022
Assets:		
Cash and cash equivalents	\$ 10,401	\$ 997
Restricted cash	75,479	77,062
Loans, net	6,782,171	6,311,698
Preferred equity investment	108,423	108,423
Other assets	78,387	54,580
Total assets	\$ 7,054,861	\$ 6,552,760
Liabilities:		
Securitized debt obligations of consolidated VIEs, net	5,300,967	4,903,350
Due to third parties	3,441	3,727
Total liabilities	\$ 5,304,408	\$ 4,907,077

Assets of unconsolidated VIEs

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

(in thousands)	Carrying Amount		Maximum Exposure to Loss ⁽¹⁾	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
MBS, at fair value ⁽²⁾	\$ 23,201	\$ 24,408	\$ 23,201	\$ 24,408
Investment in unconsolidated joint ventures	114,169	118,641	114,169	118,641
Total assets in unconsolidated VIEs	\$ 137,370	\$ 143,049	\$ 137,370	\$ 143,049

(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 15. 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,	
	2023	2022
Interest income		
Loans		
Bridge	\$ 160,431	\$ 64,779
Fixed rate	13,028	14,662
Construction	12,166	1,757
SBA - 7(a)	14,921	9,379
PPP	3,007	16,858
Residential	40	19
Other	8,375	10,246
Total loans ⁽¹⁾	\$ 211,968	\$ 117,700
Held for sale, at fair value, loans		
Fixed rate	\$ 735	\$ 2,066
Freddie Mac	—	192
Residential	1,565	2,100
Other	7	13
Total loans, held for sale, at fair value ⁽¹⁾	\$ 2,307	\$ 4,371
Investments held to maturity	\$ 8	\$ 607
Preferred equity investment ⁽¹⁾	\$ 2,168	\$ —
MBS, at fair value	\$ 1,122	\$ 1,727
Total interest income	\$ 217,573	\$ 124,405
Interest expense		
Secured borrowings	\$ (46,746)	\$ (19,623)
Paycheck Protection Program Liquidity Facility borrowings	(164)	(688)
Securitized debt obligations of consolidated VIEs	(90,601)	(24,251)
Guaranteed loan financing	(4,872)	(3,085)
Senior secured note	(4,381)	(4,357)
Convertible note	(2,188)	(2,188)
Corporate debt	(11,442)	(6,825)
Total interest expense	\$ (160,394)	\$ (61,017)
Net interest income before provision for loan losses	\$ 57,179	\$ 63,388

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

Note 16. 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. IRLCs are entered into with customers who have applied for residential mortgage loans and meet certain underwriting criteria. These commitments expose GMFS to market risk if interest rates change and if the loan is not economically hedged or committed to an investor.

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. The fair value adjustments for IRLCs and TBAs, along with the related interest income, interest expense and gains (losses) on termination of such instruments, are reported in residential mortgage banking activities 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.

	Primary Underlying Risk	March 31, 2023			December 31, 2022		
		Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
(in thousands)							
IRLCs	Interest rate risk	\$ 205,204	\$ 1,979	\$ —	\$ 205,204	\$ 117	\$ —
Interest Rate Swaps - not designated as hedges ⁽¹⁾	Interest rate risk	216,731	16,299	(7)	216,381	19,366	—
Interest Rate Swaps - designated as hedges ⁽¹⁾	Interest rate risk	266,139	28,478	—	266,139	33,863	—
TBA Agency Securities ⁽¹⁾	Market risk	163,500	81	(1,019)	134,150	796	(749)
FX forwards	Foreign exchange rate risk	47,834	1,040	(1,698)	47,834	1,123	(1,319)
Total		\$ 899,408	\$ 47,877	\$ (2,724)	\$ 869,708	\$ 55,265	\$ (2,068)

(1) Refer to Note 23 – Offsetting Assets and Liabilities for further details.

The table below presents gains and losses on derivatives.

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)
(in thousands)				
Interest rate swaps	\$ 3,686	\$ (8,459)	\$ (1,805)	\$ 26,702
TBA Agency Securities	—	(985)	—	7,264
IRLCs	—	1,862	—	(4,957)
FX forwards	—	(462)	680	231
Total	\$ 3,686	\$ (8,044)	\$ (1,125)	\$ 29,240

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.
- Gains (losses) on residential mortgage banking activity TBAs and IRLCs are recorded in residential mortgage banking activities in the consolidated statements of income.

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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 hedges - forecasted transactions:					
Three Months Ended March 31, 2023	\$ (298)	\$ —	\$ (298)	\$ (4,103)	\$ (3,805)
Three Months Ended March 31, 2022	\$ (254)	\$ —	\$ (254)	\$ (41)	\$ 213

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 17. Real estate owned, held for sale

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

(in thousands)	March 31, 2023	December 31, 2022
Acquired Portfolio:		
Mixed Use	\$ 35,367	\$ 35,361
Multi-family	12,675	48,768
Lodging/Residential	9,088	—
Total Acquired REO	\$ 57,130	\$ 84,129
Other REO held for sale:		
Single Family	24,305	24,300
Retail	1,853	1,853
Office	6,816	6,816
Total Other REO	\$ 32,974	\$ 32,969
Total real estate owned, held for sale	\$ 90,104	\$ 117,098

In the table above, Other REO excludes \$14.9 million and \$1.0 million as of March 31, 2023 and December 31, 2022, 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 \$33.9 million to decrease the value of real estate owned, held for sale in connection with the Mosaic Mergers. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Mosaic Mergers.

Note 18. 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 Company's board of directors.

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,	
	2023	2022
Management fee - total	\$ 5.1 million	\$ 3.2 million
Management fee - amount unpaid	\$ 5.1 million	\$ 6.1 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) distributable earnings (which is referred to as core earnings in the partnership agreement of the operating partnership) 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 distributable earnings over the prior twelve calendar quarters is greater than zero. For purposes of determining the incentive distribution payable to the Manager, distributable earnings is defined under the partnership agreement of the operating partnership in a manner that is similar to the definition of Distributable Earnings described below under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" included in this quarterly report on Form 10-Q but with the following additional adjustments which (i) further exclude: (a) the incentive distribution, (b) non-cash equity compensation expense, if any, (c) unrealized gains or losses on SBC loans (not just MBS and MSRs), (d) depreciation and amortization (to the extent the Company forecloses on any property), and (e) one-time events pursuant to changes in U.S. 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 and (ii) add back any realized gains or losses on the sales of MBS and on discontinued operations which were excluded from the definition of distributable earnings described under "Non-GAAP Financial Measures".

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

	Three Months Ended March 31,	
	2023	2022
Incentive fee distribution - total	\$ 1.7 million	\$ —
Incentive fee distribution - amount unpaid	\$ 1.7 million	\$ 2.4 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, 2023, 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.

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The table below presents reimbursable expenses payable to the Manager.

	Three Months Ended March 31,	
	2023	2022
Reimbursable expenses payable to Manager - total	\$ 2.9 million	\$ 3.5 million
Reimbursable expenses payable to Manager - amount unpaid	\$ 1.8 million	\$ 9.5 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, 2023, the Company has contributed \$36.6 million of cash into the Fund for a remaining commitment of \$88.4 million.

Note 19. Other assets and other liabilities

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

(in thousands)	March 31, 2023	December 31, 2022
Other assets:		
Goodwill	\$ 37,818	\$ 37,818
Deferred loan exit fees	36,629	36,669
Accrued interest	37,436	34,951
Due from servicers	26,422	24,078
Intangible assets	16,868	16,308
Receivable from third party	21,013	15,114
Deferred financing costs	5,624	5,176
Deferred tax asset	977	977
Right-of-use lease asset	2,364	1,687
Other assets	17,539	16,991
Other assets	\$ 202,690	\$ 189,769
Accounts payable and other accrued liabilities:		
Accrued salaries, wages and commissions	\$ 19,789	\$ 38,245
Accrued interest payable	40,023	34,785
Servicing principal and interest payable	11,171	13,163
Deferred tax liability	30,885	30,885
Repair and denial reserve	11,045	10,846
Payable to related parties	7,080	7,815
Accrued PPP related costs	145	4,016
Accrued professional fees	2,431	2,804
Lease payable	2,514	1,778
Other liabilities	7,440	32,183
Total accounts payable and other accrued liabilities	\$ 132,523	\$ 176,520

Goodwill

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

(in thousands)	March 31, 2023	December 31, 2022
SBC Lending and Acquisitions	\$ 26,612	\$ 26,612
Small Business Lending	11,206	11,206
Total	\$ 37,818	\$ 37,818

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 by \$63.3 million and decreasing the fair value of the CERs issued by \$59.3 million, with the remainder of the offset recorded as a \$4.0 million increase to goodwill. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Mosaic Mergers.

Intangible assets

The table below presents information on intangible assets.

(in thousands)	March 31, 2023	December 31, 2022	Estimated Useful Life
Customer Relationships - Red Stone	\$ 6,204	\$ 6,293	19 years
Internally developed software to be sold, leased, or marketed	4,052	3,092	5 years
Trade name - Red Stone	2,500	2,500	Indefinite life
Internally developed software - Knight Capital	1,636	1,794	6 years
SBA license	1,000	1,000	Indefinite life
Favorable lease	492	520	12 years
Trade name - Knight Capital	379	416	6 years
Trade name - GMFS	316	337	15 years
Broker network - Knight Capital	289	356	4.5 years
Total intangible assets	\$ 16,868	\$ 16,308	

The amortization expense related to intangible assets was \$ 0.6 million for the three months ended March 31, 2023 and \$0.4 million for the three months ended March 31, 2022. 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, 2023
Internally developed software - Knight Capital	\$ 2,163
Favorable lease	987
Trade name - GMFS	906
Broker network - Knight Capital	911
Trade name - Knight Capital	501
Internally developed software to be sold, leased, or marketed	317
Customer Relationship - Red Stone	596
Total accumulated amortization	\$ 6,381

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

(in thousands)	March 31, 2023
2023	\$ 1,855
2024	2,264
2025	2,018
2026	1,351
2027	1,216
Thereafter	4,664
Total	\$ 13,368

Loan indemnification reserve

A liability has been established for potential losses related to representations and warranties made by GMFS for loans sold with a corresponding provision recorded for loan indemnification losses. The liability is included in accounts payable and other accrued liabilities in the Company's consolidated balance sheets and the provision for loan indemnification losses is included in variable expenses on residential mortgage banking activities, in the Company's consolidated statements of income. In assessing the adequacy of the liability, management evaluates various factors including historical repurchases and indemnifications, historical loss experience, known delinquent and other problem loans, outstanding repurchase demand, historical rescission rates and economic trends and conditions in the industry. Actual losses incurred are reflected as a reduction of the reserve liability. As of March 31, 2023 and December 31, 2022, the loan indemnification reserve was \$2.6 million and \$2.9 million, respectively.

Due to the uncertainty in the various estimates underlying the loan indemnification reserve, there is a range of losses in excess of the recorded loan indemnification reserve that is reasonably possible. The estimate of the range of possible losses for representations and warranties does not represent a probable loss, and is based on current available information, significant judgment, and a number of assumptions that are subject to change. As of March 31, 2023 and December 31, 2022, the reasonably possible loss above the recorded loan indemnification reserve was not material.

Note 20. Other income and operating expenses

Paycheck Protection Program

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act" or "Round 1"), signed into law on March 27, 2020, and the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the "Economic Aid Act" or "Round 2"), signed into law on December 27, 2020, established and extended the

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PPP, respectively. Both the CARES Act and the Economic Aid Act, among other things, provide certain measures to support individuals and businesses in maintaining solvency through monetary relief in the form of financing and loan forgiveness and/or forbearance. The primary catalyst of small business stimulus is the PPP, an SBA loan that temporarily supports businesses to retain their workforce and cover certain operating expenses during the COVID-19 pandemic. Furthermore, the PPP includes a 100% guarantee from the federal government and principal forgiveness for borrowers if the funds are used for defined purposes.

The Company has participated in the PPP as both direct lender and service provider. Under the CARES Act, the Company originated \$109.5 million of PPP loans and was a Lender Service Provider ("LSP") for \$ 2.5 billion of PPP loans. For the Company's originations as direct lender, it elected the fair value option and thus, classified the loans as held at fair value on the consolidated balance sheets. Fees totaling \$5.2 million were recognized in the period of origination. For loans processed under the LSP, the Company was obligated to perform certain services including: 1) assistance and services to the third-party in the underwriting, marketing, processing and funding of loans, 2) processing forgiveness of the loans with the SBA and 3) servicing and management of subsequently resulting PPP loan portfolios. Such loans are not carried on the consolidated balance sheet and fees totaling \$43.3 million were recognized as services were performed. Unrecognized fees as of March 31, 2023 were \$0.1 million. Expenses related to PPP loans under the CARES Act are recognized in the period in which they are incurred.

The table below presents details about the Company's assets and liabilities related to its PPP activities.

(in thousands)	March 31, 2023	December 31, 2022
Assets		
Paycheck Protection Program loans	\$ 146,211	\$ 186,409
Paycheck Protection Program loans, at fair value	346	576
PPP fee receivable	323	328
Accrued interest receivable	2,024	3,196
Total PPP related assets	\$ 148,904	\$ 190,509
Liabilities		
Paycheck Protection Program Liquidity Facility borrowings	\$ 169,596	\$ 201,011
Interest payable	1,134	1,176
Deferred LSP revenue	97	122
Accrued PPP related costs	145	4,016
Payable to third parties	368	277
Repair and denial reserve	5,159	4,878
Total PPP related liabilities	\$ 176,499	\$ 211,480

In the table above,

- Originations of PPP loans under the Economic Aid Act were \$2.2 billion. These loans are classified as held-for-investment and are accounted for under ASC 310.
- Total net fees of \$123.7 million are deferred over the expected life of the loans and will be recognized as interest income.
- As of March 31, 2023, PPPLF borrowings exceed PPP loans on the balance sheet due to net fees of \$6.9 million. In addition, PPP loans are forgiven before the related PPPLF borrowings are repaid. These proceeds are unrestricted and held in cash and cash equivalents on the consolidated balance sheet.

The table below presents details about the Company's income and expenses related to its pre-tax PPP activities.

(in thousands)	Three Months Ended March 31,		Financial statement account
	2023	2022	
Income			
LSP fee income	\$ 25	\$ 37	Servicing income
Interest income	3,007	16,858	Interest income
Repair and denial reserve	(281)	2,244	Other income - change in repair and denial reserve
Total PPP related income	\$ 2,751	\$ 19,139	
Expense			
Direct operating expenses	\$ 118	\$ 150	Other operating expenses - origination costs
Interest expense	164	688	Interest expense
Total PPP related expenses	\$ 282	\$ 838	
Net PPP related income	\$ 2,469	\$ 18,301	

Other income and expenses

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

	Three Months Ended March 31,	
	2023	2022
Other income:		
Origination income	\$ 4,612	\$ 1,654
Change in repair and denial reserve	(199)	2,193
Employee retention credit consulting income	9,675	—
Other	5,795	2,654
Total other income	\$ 19,883	\$ 6,501
Other operating expenses:		
Origination costs	\$ 1,655	\$ 4,934
Technology expense	2,114	2,040
Impairment on real estate	3,418	1,827
Rent and property tax expense	1,400	1,095
Recruiting, training and travel expense	748	302
Marketing expense	557	328
Other	4,426	2,127
Total other operating expenses	\$ 14,318	\$ 12,653

Note 21. Redeemable Preferred Stock and Stockholders' Equity

Common stock dividends

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

Declaration Date	Record Date	Payment Date	Dividend per Share
March 15, 2022	March 31, 2022	April 29, 2022	\$ 0.42
June 15, 2022	June 30, 2022	July 29, 2022	\$ 0.42
September 15, 2022	September 30, 2022	October 31, 2022	\$ 0.42
December 15, 2022	December 30, 2022	January 31, 2023	\$ 0.40
March 15, 2023	March 31, 2023	April 28, 2023	\$ 0.40

Stock incentive plan

The Company currently maintains the Equity Incentive Plan which authorizes the Compensation Committee to approve grants of equity-based awards to its officers, directors, and employees of the Manager and its affiliates. The Equity Incentive Plan provides 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.

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.

The table below summarizes RSU and RSA activity.

	Number of Shares	Restricted Stock Units/Awards	
		Grant date fair value	Weighted-average grant date fair value (per share)
(in thousands, except share data)			
Outstanding, December 31, 2022	827,163	\$ 12,258	\$ 14.82
Granted	441,296	5,728	12.98
Vested	(333,470)	(4,946)	14.83
Forfeited	(4,536)	(61)	13.62
Outstanding, March 31, 2023	930,453	\$ 12,979	\$ 13.95

The Company recognized \$1.9 million and \$2.0 million for the three months ended March 31, 2023 and 2022, respectively, of non-cash compensation expense related to its stock-based incentive plan in the consolidated statements of income. As of March 31, 2023 and December 31, 2022, approximately \$13.0 million and \$12.3 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.

During each of 2023, 2022 and 2021, the Company granted RSUs and RSAs under the Equity Plan to its officers, directors, and employees of the Manager and its affiliates, as described in greater detail below.

Time-based equity awards

In 2023, 2022, and 2021, the Company granted 388,136, 327,692, and 287,787, respectively, of time-based RSAs 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. Additionally, the 2021 shares as noted above include the 128,533 shares of common stock issued to Red Stone executives as part of the Red Stone acquisition. The Company further granted in these years 53,160, 45,162, and 36,968, 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 have the option to defer receipt of shares and receive as RSUs at a later settlement date of their choosing. Dividends are paid on all time-based awards, vested and non-vested.

Performance-based equity awards

2023 performance-based equity awards. In February 2023, the Company granted to certain key employees 92,451 shares of performance-based equity awards which are allocated 50% to awards that vest based on distributable return on equity ("ROE") for the three-year forward-looking period ending December 31, 2025 and 50% to awards that vest based on relative total shareholder return ("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 period may range from 0% to 200% of the target shares granted. The fair value of the performance-based equity awards granted is recorded as compensation expense and will cliff vest at the end of a three year vesting period, with an offsetting increase in stockholders' equity.

2022 performance-based equity awards. In February 2022, the Company granted to certain key employees 84,566 shares of performance-based equity awards which are allocated 50% to awards that vest based on distributable ROE for the three-year forward-looking period ending December 31, 2024 and 50% to awards that vest based on 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 period may range from 0% to 200% of the target shares granted. The fair value of the performance-based equity awards granted is recorded as compensation expense and will cliff vest at the end of a three year vesting period, with an offsetting increase in stockholders' equity.

2021 performance-based equity awards. In February 2021, the Company granted to certain key employees, 43,327 shares of performance-based equity awards which are allocated 50% to awards that vest based on absolute TSR for the three-year forward-looking period ending December 31, 2023 and 50% to awards that vest based on 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 vesting period, the actual number of shares that the key employees receive at the end of the period may range from 0% to 300% of the target shares granted. The fair value of the performance-based equity awards granted is recorded as compensation expense and will cliff vest at the end of a three year vesting 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, 2023, the conversion rate was 1.3013 shares of common stock per \$25 principal amount of the Series C Preferred Stock, which is equivalent to a conversion price of approximately \$19.21 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 815-10 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)		
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 Company's 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 of its Series C Preferred Stock and Series E Preferred Stock during the three months ended March 31, 2023. The dividends were paid on April 14, 2023 for Series C Preferred Stock and on April 28, 2023 for Series E Preferred Stock to the holders of record as of the close of business on March 31, 2023.
- 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.

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"). As of March 31, 2023, the Company has sold 1.1 million shares of common stock at an average price of \$15.82 per share through the Equity ATM Program, for net proceeds of \$17.2 million, after deducting offering related expenses paid of \$0.3 million. The Company made no such sales through the Equity ATM Program during the three months ended March 31, 2023. As of March 31, 2023, shares representing approximately \$78.4 million remain available for sale under the Equity ATM Program.

Other

On January 14, 2022, the Company completed a public offering of 7 million shares of common stock, par value \$0.0001 per share, at a price of \$15.30 per share. The Company received aggregate net proceeds of approximately \$106.6 million, after deducting offering expenses.

Note 22. 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,	
	2023	2022
Basic Earnings		
Net income	\$ 36,978	\$ 64,263
Less: Income attributable to non-controlling interest	1,835	775
Less: Income attributable to participating shares	2,371	2,412
Basic earnings	32,772	61,076
Diluted Earnings		
Net income	\$ 36,978	\$ 64,263
Less: Income attributable to non-controlling interest	1,835	775
Less: Income attributable to participating shares	2,371	2,412
Add: Expenses attributable to dilutive instruments	2,319	2,319
Diluted earnings	35,091	63,395
Number of Shares		
Basic — Average shares outstanding	110,672,939	87,707,281
Effect of dilutive securities — Unvested participating shares	10,352,970	7,695,213
Diluted — Average shares outstanding	121,025,909	95,402,494
EPS Attributable to RC Common Stockholders:		
Basic	\$ 0.30	\$ 0.70
Diluted	\$ 0.29	\$ 0.66

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.

The Company adopted ASU 2020-06, *Debt – Debt with Conversion and other Options and Derivatives and Hedging Contracts in Entity's Own Equity*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance eliminates the treasury stock method to calculate diluted EPS for convertible instruments and requires the use of the if-converted method.

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 both March 31, 2023 and December 31, 2022, the non-controlling interest OP unit holders owned 1,593,983 OP units.

Note 23. 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, 2023 and December 31, 2022, the Company was in good standing on all of its ISDA Master Agreements or similar arrangements with its counterparties.

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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, 2023 and December 31, 2022, 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 (in thousands)	Gross amounts offset	Balance in Consolidated Balance Sheets	Gross amounts not offset in the Consolidated Balance Sheets ⁽¹⁾		
				Financial Instruments	Cash Collateral Received / Paid	Net Amount
March 31, 2023						
Assets						
IRLCs	\$ 1,979	\$ —	\$ 1,979	\$ —	\$ —	\$ 1,979
FX forwards	1,040	—	1,040	—	—	1,040
TBA Agency Securities	81	78	3	—	—	3
Interest rate swaps	44,777	34,026	10,751	—	—	10,751
Total	\$ 47,877	\$ 34,104	\$ 13,773	\$ —	\$ —	\$ 13,773
Liabilities						
Interest rate swaps	\$ 7	\$ 7	\$ —	\$ —	\$ —	\$ —
TBA Agency Securities	1,019	78	941	—	—	941
FX forwards	1,698	—	1,698	—	—	1,698
Secured borrowings	2,484,902	—	2,484,902	2,484,902	—	—
Paycheck Protection Program Liquidity Facility	169,596	—	169,596	146,556	—	23,040
Total	\$ 2,657,222	\$ 85	\$ 2,657,137	\$ 2,631,458	\$ —	\$ 25,679
December 31, 2022						
Assets						
IRLCs	\$ 117	\$ —	\$ 117	\$ —	\$ —	\$ 117
FX forwards	1,123	—	1,123	—	—	1,123
TBA Agency Securities	796	482	314	—	—	314
Interest rate swaps	53,229	41,820	11,409	—	—	11,409
Total	\$ 55,265	\$ 42,302	\$ 12,963	\$ —	\$ —	\$ 12,963
Liabilities						
TBA Agency Securities	\$ 749	\$ 482	\$ 267	\$ —	\$ —	\$ 267
FX forwards	1,319	—	1,319	—	—	1,319
Secured borrowings	2,846,293	—	2,846,293	2,846,293	—	—
Paycheck Protection Program Liquidity Facility	201,011	—	201,011	186,985	—	14,026
Total	\$ 3,049,372	\$ 482	\$ 3,048,890	\$ 3,033,278	\$ —	\$ 15,612

(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 24. 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 SBC loans and SBC 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.

GMFS sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, GMFS is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that GMFS does not comply with such representations, or there are early payment defaults, GMFS may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, GMFS may be required to refund a portion of the sales proceeds to the investors.

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 SBC 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 25.

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 SBC 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 SBC 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 25. 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, 2023	December 31, 2022
Loans, net	\$ 819,819	\$ 881,519
Loans, held for sale at fair value	\$ 16,666	\$ 20,546
Preferred equity investment	\$ 853	\$ 1,147

Commitments to Originate Loans

GMFS enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose GMFS to market risk if interest rates change, and the loan is not economically hedged or committed to an investor. GMFS is also exposed to credit loss if the loan is originated and not sold to an investor and the borrower does not perform. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon.

The table below presents commitments to originate residential agency loans.

(in thousands)	March 31, 2023	December 31, 2022
Commitments to originate residential agency loans	\$ 185,165	\$ 112,319

Note 26. 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, 2023 and December 31, 2022, 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 and residential 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.

Note 27. Segment reporting

The Company reports its results of operations through the following three business segments: i) *SBC Lending and Acquisitions*, ii) *Small Business Lending* and iii) *Residential Mortgage Banking*. 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.

SBC Lending and Acquisitions

The Company originates SBC loans across the full life-cycle of an SBC 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. SBC 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 SBC securitization activities. The Company acquires performing and non-performing SBC 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.

Residential mortgage banking

The Company originates residential mortgage loans eligible to be purchased, guaranteed or insured by Fannie Mae, Freddie Mac, FHA, USDA and VA through retail, correspondent and broker channels.

Corporate- Other

Corporate - Other consists primarily of unallocated activities including interest expense relating to senior secured and convertible 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.

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	Three Months Ended March 31, 2023					
(in thousands)	SBC Lending and Acquisitions	Small Business Lending	Residential Mortgage Banking	Corporate-Other	Consolidated	
Interest income	\$ 198,039	\$ 17,929	\$ 1,605	\$ —	\$ 217,573	
Interest expense	(149,494)	(9,374)	(1,526)	—	(160,394)	
Net interest income before recovery of (provision for) loan losses	\$ 48,545	\$ 8,555	\$ 79	\$ —	\$ 57,179	
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	\$ 79	\$ —	\$ 63,913	
Non-interest income						
Residential mortgage banking activities	\$ —	\$ —	\$ 9,169	\$ —	\$ 9,169	
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	(6,093)	—	(11,728)	
Servicing income, net	1,093	3,549	9,361	—	14,003	
Income on purchased future receivables, net	—	540	—	—	540	
Income on unconsolidated joint ventures	656	—	—	—	656	
Other income	9,093	10,428	31	331	19,883	
Total non-interest income	\$ 9,556	\$ 21,743	\$ 12,468	\$ 331	\$ 44,098	
Non-interest expense						
Employee compensation and benefits	\$ (6,206)	\$ (11,275)	\$ (5,412)	\$ (2,246)	\$ (25,139)	
Allocated employee compensation and benefits from related party	(232)	—	—	(2,094)	(2,326)	
Variable expenses on residential mortgage banking activities	—	—	(5,485)	—	(5,485)	
Professional fees	(981)	(1,625)	(174)	(2,937)	(5,717)	
Management fees – related party	—	—	—	(5,081)	(5,081)	
Incentive fees – related party	—	—	—	(1,720)	(1,720)	
Loan servicing expense	(8,058)	(97)	(1,808)	—	(9,963)	
Transaction related expenses	—	—	—	(893)	(893)	
Other operating expenses	(6,733)	(4,094)	(1,709)	(1,782)	(14,318)	
Total non-interest expense	\$ (22,210)	\$ (17,091)	\$ (14,588)	\$ (16,753)	\$ (70,642)	
Income (loss) before provision for income taxes	\$ 44,020	\$ 11,812	\$ (2,041)	\$ (16,422)	\$ 37,369	
Total assets	\$ 10,184,788	\$ 791,394	\$ 402,562	\$ 158,719	\$ 11,537,463	

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(in thousands)	Three Months Ended March 31, 2022					
	SBC Lending and Acquisitions		Small Business Lending	Residential Mortgage Banking	Corporate- Other	Consolidated
	Interest income	\$ 96,343	\$ 26,237	\$ 1,825	\$ —	\$ 124,405
Interest income	\$ (53,093)	\$ (5,690)	\$ (1,958)	\$ (276)	\$ (61,017)	
Net interest income before provision for loan losses	\$ 43,250	\$ 20,547	\$ (133)	\$ (276)	\$ 63,388	
Provision for loan losses	(270)	(1,272)	—	—	—	(1,542)
Net interest income after provision for loan losses	\$ 42,980	\$ 19,275	\$ (133)	\$ (276)	\$ 61,846	
Non-interest income						
Residential mortgage banking activities	\$ —	\$ —	\$ 8,424	\$ —	\$ 8,424	
Net realized gain (loss) on financial instruments and real estate owned	882	7,125	—	—	8,007	
Net unrealized gain (loss) on financial instruments	12,429	288	32,598	—	45,315	
Servicing income, net	920	1,493	8,115	—	10,528	
Income on purchased future receivables, net	—	2,469	—	—	2,469	
Income on unconsolidated joint ventures	6,563	—	—	—	6,563	
Other income	3,014	2,871	24	592	6,501	
Total non-interest income	\$ 23,808	\$ 14,246	\$ 49,161	\$ 592	\$ 87,807	
Non-interest expense						
Employee compensation and benefits	\$ (10,160)	\$ (9,518)	\$ (7,534)	\$ (756)	\$ (27,968)	
Allocated employee compensation and benefits from related party	(300)	—	—	(2,700)	(3,000)	
Variable expenses on residential mortgage banking activities	—	—	(979)	—	(979)	
Professional fees	(2,401)	(1,468)	(264)	(993)	(5,126)	
Management fees – related party	—	—	—	(3,196)	(3,196)	
Loan servicing expense	(5,875)	(502)	(2,543)	—	(8,920)	
Transaction related expenses	—	—	—	(5,699)	(5,699)	
Other operating expenses	(5,376)	(3,787)	(2,024)	(1,466)	(12,653)	
Total non-interest expense	\$ (24,112)	\$ (15,275)	\$ (13,344)	\$ (14,810)	\$ (67,541)	
Income (loss) before provision for income taxes	\$ 42,676	\$ 18,246	\$ 35,684	\$ (14,494)	\$ 82,112	
Total assets	\$ 9,520,677	\$ 1,217,726	\$ 493,671	\$ 244,170	\$ 11,476,244	

Note 28. Subsequent events

The Company has evaluated subsequent events through the issuance date of the financial statements and determined that no additional disclosure is necessary.

Item 1A. 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 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 quarterly report 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:

- the severity and duration of the novel coronavirus ("COVID-19") pandemic and its impact on our business and operations, financial condition, results of operations, liquidity and capital resources;
- the impact of the COVID-19 pandemic on our borrowers, the real estate industry and global markets;
- 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 a group of privately-held real estate structured finance opportunities funds with a focus on construction lending (collectively, the "Mosaic Funds");
- our ability to complete the contemplated acquisition of Broadmark (as defined herein) and achieve the expected synergies, cost savings and other benefits from the contemplated acquisition of Broadmark;

- risks associated with achieving expected synergies, cost savings and other benefits from acquisitions, including the contemplated acquisition of Broadmark, 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 acquisition of the Mosaic Funds;
- market, industry and economic trends;
- our ability to compete in the marketplace;
- the availability of attractive risk-adjusted investment opportunities in small to medium balance commercial loans ("SBC loans"), 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;
- recent market developments and actions taken and to 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 the 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"); and
- the degree and nature of our competition, including competition for SBC loans, MBS, residential mortgage loans and other real estate-related investments that satisfy our investment objectives and strategies.

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 quarterly report on 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. See Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's annual report on Form 10-K.

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

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our 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 quarterly report on Form 10-Q and with Items 6, 7, 8, and 9A of our annual report on Form 10-K. See "Forward-Looking Statements" in this quarterly report on 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 quarterly report on Form 10-Q.

Overview

Our Business

We are a multi-strategy real estate finance company that originates, acquires, finances, and services SBC loans, SBA loans, residential mortgage loans, construction loans, and to a lesser extent, MBS collateralized primarily by SBC 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. We report our activities in the following three operating segments:

- **SBC Lending and Acquisitions.** We originate SBC loans across the full life-cycle of an SBC 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, then 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 small balance commercial loans as part of our business strategy. We hold performing SBC loans to term and seek to maximize the value of the non-performing SBC loans acquired by us through borrower-based resolution strategies. We typically acquire non-performing loans at a discount to their unpaid principal balance 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 14 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.
- **Residential Mortgage Banking.** We operate our residential mortgage loan origination segment through our wholly-owned subsidiary, GMFS. GMFS originates residential mortgage loans eligible to be purchased, guaranteed or insured by Fannie Mae, Freddie Mac, FHA, USDA and VA through retail, correspondent and broker channels. These originated loans are then sold to third parties, primarily agency lending programs.

We are organized and conduct our operations to qualify as a REIT under the Code. So long as we qualify as a REIT, we are generally not subject to U.S. federal income tax on our net taxable income to the extent that we annually distribute substantially all of our net taxable income to stockholders. 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 the Company's Annual Report on Form 10-K.

Acquisitions

Broadmark. On February 26, 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"), entered into an Agreement and Plan of Merger (the "Broadmark Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Broadmark will be merged with and into RCC Merger Sub, with RCC Merger Sub remaining as a wholly owned subsidiary of the Company (such transaction, the "Broadmark Merger").

Under the terms of the Broadmark Merger Agreement, 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) will automatically be converted into the right to receive from the Company 0.47233 shares of its common stock, par value \$0.0001 ("common stock"), subject to adjustment as provided in the Broadmark Merger Agreement (the "Exchange Ratio").

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") will, as of the Effective Time, automatically be 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.

Each award of restricted stock units that is not a Broadmark Performance RSU Award granted pursuant to the Broadmark Equity Plan (each a "Broadmark RSU Award") will be 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") may 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 is outstanding as of the Effective Time shall remain outstanding and entitle each holder thereof to receive, upon exercise of such 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.

Following the consummation of the Broadmark Merger, the number of directors on the Company's Board will be increased by three members, from nine to twelve, and will include all of the current directors of the Company's Board and three additional directors, each of whom currently serves on the board of directors of Broadmark.

The Company currently expects that the Broadmark Merger will close as soon as the second quarter of 2023, subject to the respective approvals of the Company's stockholders and Broadmark's stockholders and other customary closing conditions.

Mosaic. On March 16, 2022, pursuant to the terms of that certain Merger Agreement, dated as of November 3, 2021, as amended on February 7, 2022, the Company acquired, in a series of mergers (collectively, the "Mosaic Mergers"), 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 ("the "Mosaic Manager").

As consideration for the Mosaic Mergers, each former investor was entitled to receive an equal number of shares of each of Class B-1 Common Stock, \$0.0001 par value per share (the "Class B-1 Common Stock"), Class B-2 Common Stock, \$0.0001 par value per share (the "Class B-2 Common Stock") Class B-3 Common Stock, \$0.0001 par value per share (the "Class B-3 Common Stock"), and Class B-4 Common Stock, \$0.0001 par value per share (the "Class B-4 Common Stock" and, together with the Class B-1 Common Stock, the Class B-2 Common Stock and the Class B-3 Common Stock, the "Class B Common Stock"), of Ready Capital, contingent equity rights ("CERs") representing the potential right to receive shares of common stock as of the end of the three-year period following the closing date of the Mosaic Mergers based upon the performance of the assets acquired by Ready Capital pursuant to the Mosaic Mergers, and cash consideration in lieu of any fractional shares of Class B Common Stock.

The Class B Common Stock ranked equally with the common stock, except that the shares of Class B Common Stock were not listed on the New York Stock Exchange. On May 11, 2022, each issued and outstanding share of Class B Common Stock, pursuant to a Board resolution, automatically converted, on a one-for-one basis, into an equal number of shares of common stock, and as such, no shares of Class B Common Stock remain outstanding.

The CERs are contractual rights and do not represent any equity or ownership interest in Ready Capital or any of its affiliates. If any shares of common stock are issued in settlement of the CERs, each former investor will also 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 in respect of CERs and having a record date on or after the closing date of the Mosaic Mergers and a payment date prior to the issuance date of such shares of common stock, divided by (ii) the greater of (a) the average of the volume weighted average prices of one share of common stock over the ten trading days preceding the determination date and (b) the most recently reported book value per share of common stock as of the determination date.

The acquisition further expanded the Company's investment portfolio and origination platform to include a diverse portfolio of construction assets with attractive portfolio yields. Refer to Note 5, included in Part I, Item 1, "Financial Statements," of this quarterly report on Form 10-Q, for assets acquired and liabilities assumed in the Mosaic Mergers.

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, SBC loans, SBA loans, residential 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, such as the outbreak of COVID-19 and the emergence and severity of variants, 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 ("FRMs") and adjustable rate mortgages ("ARMs") 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. FRM 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 FRMs. As of March 31, 2023, 72% of fixed rate loans are match funded in securitization. ARM 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, 2023, approximately 86% of the loans in our portfolio were ARMs, and 14% were FRMs, 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. This factor is beyond our control.

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 occurred in an environment of continued market volatility caused by significant, yet subsiding, inflationary pressures, macroeconomic concerns, and geopolitical shifts. In an effort to combat inflation and restore price stability, the U.S. Federal Reserve has continued to raise interest rates. However, there has been a recent shift towards a less aggressive monetary policy amid easing inflation, with interest rate increases decelerating. In addition, the persistence of COVID-19 and its impact on us and our borrowers will largely depend on future developments beyond our control including, but not limited to the emergence and severity of variants, the efficacy of vaccinations and booster programs, the impact and reactions on the U.S. and global economies, the effectiveness of governmental responses thereto and the timing and speed of economic recovery. 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, 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. See “—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,	
	2023	2022
Net Income	\$ 36,978	\$ 64,263
Earnings per common share - basic	\$ 0.30	\$ 0.70
Earnings per common share - diluted	\$ 0.29	\$ 0.66
Distributable earnings	\$ 38,149	\$ 48,863
Distributable earnings per common share - basic	\$ 0.31	\$ 0.52
Distributable earnings per common share - diluted	\$ 0.30	\$ 0.48
Dividends declared per common share	\$ 0.40	\$ 0.42
Dividend yield	15.7 %	11.2 %
Return on equity	8.2 %	18.0 %
Distributable return on equity	8.5 %	13.6 %
Book value per common share	\$ 15.07	\$ 15.22
Adjusted net book value per common share	\$ 15.07	\$ 15.21

In the table above,

- Dividend yield is based on the respective period end closing share price.
- Adjusted net book value per common share excludes the equity component of our 2017 convertible note issuance.

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

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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).

<i>(in thousands)</i>	Three Months Ended March 31,	
	2023	2022
Loan originations:		
SBC loans	\$ 410,516	\$ 2,194,885
SBA loans	92,296	100,956
Residential agency mortgage loans	325,982	769,133
Total loan originations	\$ 828,794	\$ 3,064,974
Total loan acquisitions	\$ —	\$ 5,253
Total loan investment activity	\$ 828,794	\$ 3,070,227

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Balance Sheet Analysis and Metrics

(in thousands)	March 31, 2023	December 31, 2022	\$ Change	% Change
Assets				
Cash and cash equivalents	\$ 111,192	\$ 163,041	\$ (51,849)	(31.8)%
Restricted cash	49,632	55,927	(6,295)	(11.3)
Loans, net (including \$9,859 and \$9,786 held at fair value)	3,128,197	3,576,310	(448,113)	(12.5)
Loans, held for sale, at fair value	236,578	258,377	(21,799)	(8.4)
Paycheck Protection Program loans (including \$346 and \$576 held at fair value)	146,557	186,985	(40,428)	(21.6)
Mortgage-backed securities, at fair value	32,607	32,041	566	1.8
Loans eligible for repurchase from Ginnie Mae	64,293	66,193	(1,900)	(2.9)
Investment in unconsolidated joint ventures (including \$7,913 and \$8,094 held at fair value)	114,169	118,641	(4,472)	(3.8)
Investments held to maturity	3,306	3,306	—	—
Purchased future receivables, net	10,568	8,246	2,322	28.2
Derivative instruments	13,773	12,963	810	6.2
Servicing rights (including \$188,985 and \$192,203 held at fair value)	278,936	279,320	(384)	(0.1)
Real estate owned, held for sale	90,104	117,098	(26,994)	(23.1)
Other assets	202,690	189,769	12,921	6.8
Assets of consolidated VIEs	7,054,861	6,552,760	502,101	7.7
Total Assets	\$ 11,537,463	\$ 11,620,977	\$ (83,514)	(0.7)%
Liabilities				
Secured borrowings	2,484,902	2,846,293	(361,391)	(12.7)
Paycheck Protection Program Liquidity Facility (PPPLF) borrowings	169,596	201,011	(31,415)	(15.6)
Securitized debt obligations of consolidated VIEs, net	5,300,967	4,903,350	397,617	8.1
Convertible notes, net	114,689	114,397	292	0.3
Senior secured notes, net	343,798	343,355	443	0.1
Corporate debt, net	663,623	662,665	958	0.1
Guaranteed loan financing	238,948	264,889	(25,941)	(9.8)
Contingent consideration	16,636	28,500	(11,864)	(41.6)
Liabilities for loans eligible for repurchase from Ginnie Mae	64,293	66,193	(1,900)	(2.9)
Derivative instruments	2,639	1,586	1,053	66.4
Dividends payable	47,308	47,177	131	0.3
Loan participations sold	55,967	54,641	1,326	2.4
Due to third parties	12,881	11,805	1,076	9.1
Accounts payable and other accrued liabilities	132,523	176,520	(43,997)	(24.9)
Total Liabilities	\$ 9,648,770	\$ 9,722,382	\$ (73,612)	(0.8)%
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, 110,745,658 and 110,523,641 shares issued and outstanding, respectively	11	11	—	—
Additional paid-in capital	1,687,631	1,684,074	3,557	0.2
Retained earnings (deficit)	(6,532)	4,994	(11,526)	(230.8)
Accumulated other comprehensive loss	(12,353)	(9,369)	(2,984)	31.8
Total Ready Capital Corporation equity	1,780,135	1,791,088	(10,953)	(0.6)
Non-controlling interests	100,197	99,146	1,051	1.1
Total Stockholders' Equity	\$ 1,880,332	\$ 1,890,234	\$ (9,902)	(0.5)%
Total Liabilities, Redeemable Preferred Stock, and Stockholders' Equity	\$ 11,537,463	\$ 11,620,977	\$ (83,514)	(0.7)%

As of March 31, 2023, total assets in our consolidated balance sheet were \$11.5 billion, a decrease of \$84 million from December 31, 2022, primarily reflecting decreases in Cash and cash equivalents, Loans net, and PPP loans, partially offset by increases in Assets of consolidated VIEs. Cash and cash equivalents decreased \$52 million due to dividend payments and loan originations exceeding loan payoffs. Loans, net decreased \$448 million due to the closing of RCMF 2023-FL11. PPP loans decreased \$40 million due to principal forgiveness. Assets on consolidated VIEs increased \$502 million due to the closing of RCMF 2023-FL11.

As of March 31, 2023, total liabilities in our consolidated balance sheet were \$9.6 billion, a decrease of \$74 million from December 31, 2022, primarily reflecting decreases in Secured borrowings, Accounts payable and other accrued liabilities and PPPLF borrowings, partially offset by increase in Securitized debt obligations of consolidated VIEs. Secured borrowings decreased \$361 million due to the payoffs related to closing RCMF 2023-FL11. Accounts payable and other accrued liabilities decreased \$44 million due to payment of accrued liabilities. PPPLF borrowings decreased \$31 million due to PPP principal forgiveness. Securitized debt obligations of consolidated VIEs increased \$398 million due to the closing of RCMF 2023-FL11.

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As of March 31, 2023, total stockholders' equity was \$1.9 billion, a decrease of \$10 million from December 31, 2022, primarily reflecting dividends declared of \$45 million, partially offset by net income of \$37 million.

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

(in thousands)	SBC Lending and Acquisitions	Small Business Lending	Residential Mortgage Banking	Total
March 31, 2023				
Assets				
Loans, net	\$ 9,432,960	\$ 540,042	\$ 5,146	\$ 9,978,148
Loans, held for sale, at fair value	73,452	43,427	119,699	236,578
Paycheck Protection Program loans	—	146,557	—	146,557
MBS, at fair value	32,607	—	—	32,607
Servicing rights	67,911	22,040	188,985	278,936
Investment in unconsolidated joint ventures	114,169	—	—	114,169
Investments held to maturity	3,306	—	—	3,306
Purchased future receivables, net	—	10,568	—	10,568
Real estate owned, held for sale	105,029	—	—	105,029
Liabilities				
Secured borrowings	\$ 2,105,541	\$ 162,839	\$ 216,522	\$ 2,484,902
Paycheck Protection Program Liquidity Facility (PPPLF) borrowings	—	169,596	—	169,596
Securitized debt obligations of consolidated VIEs	5,258,163	42,804	—	5,300,967
Guaranteed loan financing	—	238,948	—	238,948
Senior secured notes, net	330,317	13,481	—	343,798
Corporate debt, net	663,623	—	—	663,623
Convertible notes, net	108,963	5,726	—	114,689
Loan participations sold	55,967	—	—	55,967

In the table above, Loans, net includes assets of consolidated VIEs and excludes allowance for loan losses, and Investments held to maturity and Real estate owned, held for sale include assets of consolidated VIEs.

Income Statement Analysis and Metrics

(in thousands)	Three Months Ended March 31,		
	2023	2022	\$ Change
Interest income			
SBC lending and acquisitions	\$ 198,039	\$ 96,343	\$ 101,696
Small business lending	17,929	26,237	(8,308)
Residential mortgage banking	1,605	1,825	(220)
Total interest income	\$ 217,573	\$ 124,405	\$ 93,168
Interest expense			
SBC lending and acquisitions	(149,494)	(53,093)	(96,401)
Small business lending	(9,374)	(5,690)	(3,684)
Residential mortgage banking	(1,526)	(1,958)	432
Corporate - other	—	(276)	276
Total interest expense	\$ (160,394)	\$ (61,017)	\$ (99,377)
Net interest income before recovery of (provision for) loan losses	\$ 57,179	\$ 63,388	\$ (6,209)
Recovery of (provision for) loan losses			
SBC lending and acquisitions	8,129	(270)	8,399
Small business lending	(1,395)	(1,272)	(123)
Total recovery of (provision for) loan losses	\$ 6,734	\$ (1,542)	\$ 8,276
Net interest income after recovery of (provision for) loan losses	\$ 63,913	\$ 61,846	\$ 2,067
Non-interest income			
SBC lending and acquisitions	9,556	23,808	(14,252)
Small business lending	21,743	14,246	7,497
Residential mortgage banking	12,468	49,161	(36,693)
Corporate - other	331	592	(261)
Total non-interest income	\$ 44,098	\$ 87,807	\$ (43,709)
Non-interest expense			
SBC lending and acquisitions	(22,210)	(24,112)	1,902
Small business lending	(17,091)	(15,275)	(1,816)
Residential mortgage banking	(14,588)	(13,344)	(1,244)
Corporate - other	(16,753)	(14,810)	(1,943)
Total non-interest expense	\$ (70,642)	\$ (67,541)	\$ (3,101)
Net income (loss) before provision for income taxes			
SBC lending and acquisitions	44,020	42,676	1,344
Small business lending	11,812	18,246	(6,434)
Residential mortgage banking	(2,041)	35,684	(37,725)
Corporate - other	(16,422)	(14,494)	(1,928)
Total net income before provision for income taxes	\$ 37,369	\$ 82,112	\$ (44,743)

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.

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

(in thousands)	Three Months Ended March 31,			\$ Change
	2023	2022		
Realized gain (loss) on financial instruments				
Realized gain on loans - Freddie Mac and CMBS	\$ 252	\$ 1,178	\$ (926)	
Creation of MSRs - Freddie Mac	224	1,268	(1,044)	
Realized gain on loans - SBA	5,239	5,362	(123)	
Creation of MSRs - SBA	1,511	1,734	(223)	
Creation of MSRs - Red Stone	2,858	195	2,663	
Realized gain (loss) on derivatives, at fair value	3,686	(1,125)	4,811	
Realized gain on MBS, at fair value	—	1,373	(1,373)	
Net realized gain (loss) - all other	(2,195)	(1,978)	(217)	
Net realized gain (loss) on financial instruments	\$ 11,575	\$ 8,007	\$ 3,568	
Unrealized gain (loss) on financial instruments				
Unrealized loss on loans - Freddie Mac and CMBS	\$ (2,668)	\$ (10,775)	\$ 8,107	
Unrealized gain on loans - SBA	474	288	186	
Unrealized gain (loss) on residential MSRs, at fair value	(6,093)	32,598	(38,691)	
Unrealized gain (loss) on derivatives, at fair value	(3,537)	26,933	(30,470)	
Unrealized gain (loss) on MBS, at fair value	210	(2,612)	2,822	
Net unrealized gain (loss) - all other	(114)	(1,117)	1,003	
Net unrealized gain (loss) on financial instruments	\$ (11,728)	\$ 45,315	\$ (57,043)	

SBC Lending and Acquisitions Segment Results.

Q1 2023 versus Q1 2022. Interest income of \$198.0 million represented an increase of \$101.7 million, primarily due to increases in interest rates. Interest expense of \$149.5 million represented an increase of \$96.4 million, driven by increases in interest rates. Recovery of loan losses of \$8.1 million represented an increase of \$8.4 million, primarily due to more positive economic assumptions partially offset by reserves on assets within the office sector. Non-interest income of \$9.6 million represented a decrease of \$14.3 million, primarily due to decreases in net unrealized gains on financial instruments and decreases in income from unconsolidated joint ventures, partially offset by increases in other income and increases in realized gains on financial instruments. Non-interest expense of \$22.2 million represented a decrease of \$1.9 million, primarily due to decreased professional fees and compensation.

Small Business Lending Segment Results.

Q1 2023 versus Q1 2022. Interest income of \$17.9 million represented a decrease of \$8.3 million, primarily due to decreased loan balances. Interest expense of \$9.4 million represented an increase of \$3.7 million, driven by increases in interest rates. Provision for loan losses of \$1.4 million represented an increase of \$0.1 million, due to loan originations. Non-interest income of \$21.7 million represented an increase of \$7.5 million, primarily due to fees earned related to employee tax credit consulting. Non-interest expense of \$17.1 million represented an increase of \$1.8 million, primarily due to an increase in compensation related to employee tax credit consulting.

Residential Mortgage Banking Segment Results.

Q1 2023 versus Q1 2022. Interest income of \$1.6 million was essentially unchanged from the respective prior year period. Interest expense of \$1.5 million was essentially unchanged from the respective prior year period. Non-interest income of \$12.5 million represented a decrease of \$36.7 million, due to unrealized losses on MSRs, partially offset by increases in servicing income. Non-interest expense of \$14.6 million represented an increase of \$1.2 million, primarily due to increased variable expenses on residential mortgage banking activities.

Corporate – Other.

Q1 2023 versus Q1 2022. Non-interest expense of \$16.8 million represented an increase of \$1.9 million, primarily due to increased compensation expense, professional fees and management fees.

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

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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
- iv) any unrealized current non-cash provision for credit losses on accrual loans
- v) any unrealized gains or losses on de-designated cash flow hedges
- vi) any non-cash compensation expense related to stock-based incentive plan
- vii) 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 2016, we liquidated the majority of our MBS portfolio excluded from distributable earnings to fund our recurring operating segments.

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. We treat our commercial MSRs and residential MSRs as two separate classes based on the nature of the underlying mortgages and our treatment of these assets as two separate pools for risk management purposes. Servicing rights relating to our small business commercial business are accounted for under ASC 860 while our residential MSRs are accounted for under the fair value option under ASC 825. In calculating distributable earnings, we do not exclude realized gains or losses on either commercial MSRs or residential MSRs, held at fair value, 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.

(in thousands)	Three Months Ended March 31,		
	2023	2022	Change
Net Income	\$ 36,978	\$ 64,263	\$ (27,285)
Reconciling items:			
Unrealized (gain) loss on MSR	6,093	(32,599)	38,692
Impact of CECL on accrual loans	(7,321)	1,968	(9,289)
Non-recurring REO impairment	—	1,567	(1,567)
Non-cash compensation	1,853	956	897
Merger transaction costs and other non-recurring expenses	1,733	5,699	(3,966)
Total reconciling items	\$ 2,358	\$ (22,409)	\$ 24,767
Income tax adjustments	(1,187)	7,009	(8,196)
Distributable earnings	\$ 38,149	\$ 48,863	\$ (10,714)
Less: Distributable earnings attributable to non-controlling interests	1,869	589	1,280
Less: Income attributable to participating shares	2,371	2,412	(41)
Distributable earnings attributable to common stockholders	\$ 33,909	\$ 45,862	\$ (11,953)
Distributable earnings per common share - basic	\$ 0.31	\$ 0.52	\$ (0.21)
Distributable earnings per common share - diluted	\$ 0.30	\$ 0.48	\$ (0.18)

Q1 2023 versus Q1 2022. Consolidated net income of \$37.0 million for the first quarter of 2023 represented a decrease of \$27.3 million from the first quarter of 2022, primarily due a decrease in net interest income driven by payoffs of PPP loans and increased unrealized losses on financial instruments, partially offset by other income. Consolidated distributable earnings of \$38.1 million for the first quarter of 2023 represented a decrease of \$10.7 million from the first quarter of 2022. The increase in the distributable earnings reconciling items is primarily due to increased unrealized losses on MSRs and increased loss reserve recoveries when compared to the respective prior period.

COVID-19 Impact on Operating Results

There has been a wide-ranging response of international, federal, state and local public health and governmental authorities to the COVID-19 pandemic in regions across the United States and the world. The full magnitude and duration of the COVID-19 pandemic and the extent to which it impacts our financial condition, results of operations and cash flows will depend on future developments, which continue to be uncertain. We will continue to monitor for any material or adverse effects on our business resulting from the COVID-19 pandemic. Further discussion of the potential impacts on our business from the COVID-19 pandemic is provided in the section entitled "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K.

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) distributable earnings (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 the Equity Incentive 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 distributable earnings 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 our Manager, distributable earnings (which is referred to as core earnings in the partnership agreement of our operating partnership) is defined under the partnership agreement of our operating partnership in a manner that is similar to the definition of distributable earnings described above under "Non-GAAP Financial Measures" but with the following additional adjustments which (i) further exclude: (a) the incentive distribution, (b) non-cash equity compensation expense, if any, (c) unrealized gains or losses on SBC loans (not just MBS and MSRs), (d) depreciation and amortization (to the extent we foreclose on any property), and (e) one-time events pursuant to changes in U.S. GAAP and certain other non-cash charges after discussions between our Manager and our independent directors and after approval by a majority of the independent directors and (ii) add back any realized gains or losses on the sales of MBS and on discontinued operations which were excluded from the definition of distributable earnings described above under "Non-GAAP Financial Measures".

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 SBC loans and other target assets, originate new SBC 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 convertible notes, 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, 2023. Cash and cash equivalents as of March 31, 2023, decreased by \$50.3 million to \$246.7 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, at fair value. 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.

Three Months Ended March 31, 2022. Cash and cash equivalents as of March 31, 2022, decreased by \$23.2 million to \$300.1 million from December 31, 2021, primarily due to net cash used for investing activities, partially offset by net cash provided from financing and operating activities. The net cash used for investing activities primarily reflected loan originations and purchases, partially offset by paydowns and principal forgiveness. The net cash provided from financing activities primarily reflected net proceeds from secured borrowings as a result of an increase in our origination activities, proceeds from issuances of securitized debt and proceeds from equity issuances primarily in connection with the Mosaic Merger, partially offset by repayment of PPPLF borrowings. The net cash provided by operating activities primarily reflected net proceeds on disposition and principal payments of loans, held for sale, at fair value and an increase in operating assets, partially offset by an increase in operating liabilities and realized and unrealized gains on financial instruments.

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 and residential loans with secured borrowings until the loans are sold, generally within 30 days.

As of March 31, 2023, we had a total leverage ratio of 5.1x and recourse leverage ratio of 1.4x. Our operating segments have different levels of recourse debt according to the differentiated nature of each segment. Our SBC Lending and Acquisitions, Small Business Lending and Residential Mortgage Banking segments have recourse leverage ratios of 0.4x, 1.3x and 1.9x, 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

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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⁾	Pledged Assets		Carrying Value at	
				Facility Size	Carrying Value	March 31, 2023	December 31, 2022
3	SBA loans	October 2023 – March 2025	SOFR + 2.875% Prime - 0.55% 1 ML + 7.00%	\$ 250,000	\$ 235,036	\$ 162,839	\$ 160,903
2	SBC loans - USD	June 2023 – February 2024	SOFR + 1.35%	360,000	360,009	109,336	111,966
1	SBC loans - Non-USD ⁽⁴⁾	June 2026	SONIA + 3.25%	123,370	50,716	36,317	61,596
5	Residential loans	May 2023 – November 2023	Variable Pricing	440,000	122,850	118,641	132,658
1	Residential MSRs	February 2026	SOFR + 3.00%	120,000	131,185	97,881	49,900
1	Purchased future receivables	October 2023	1 ML + 4.50%	50,000	—	—	—
Total borrowings under credit facilities and other financing agreements				\$ 1,343,370	\$ 899,796	\$ 525,014	\$ 517,023

(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 SBC loans, SBC 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.

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The table below presents certain characteristics of our repurchase agreements.

Lenders ⁽¹⁾	Asset Class	Current Maturity	Pricing ⁽²⁾	Pledged Assets		Carrying Value at	
				Facility Size	Carrying Value	March 31, 2023	December 31, 2022
7	SBC loans	November 2023 – March 2026	1 MT + 2.00%	\$ 3,870,500	\$ 1,920,195	\$ 1,527,847	\$ 1,905,358
1	SBC loans - Non-USD ⁽³⁾	January 2024	SOFR + 2.46% EURIBOR + 3.00%	216,780	46,724	39,174	—
6	MBS	April 2023 – August 2023	6.93%	392,867	773,823	392,867	423,912
Total borrowings under repurchase agreements				\$ 4,480,147	\$ 2,740,742	\$ 1,959,888	\$ 2,329,270

(1) Represents the total number of facility lenders

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

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

Collateralized borrowings under repurchase agreements

The table below presents 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 2020	714,162	936,760	1,057,522
Q3 2020	624,549	669,356	831,200
Q4 2020	827,569	726,059	827,569
Q1 2021	1,320,644	1,785,656	2,481,436
Q2 2021	1,223,527	1,145,354	1,223,527
Q3 2021	1,552,135	1,497,324	1,552,135
Q4 2021	2,045,717	1,824,260	2,045,717
Q1 2022	2,771,038	2,835,212	3,065,412
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

The net decrease in the outstanding balances during the first quarter of 2023 was primarily due to the closing of RCMF 2023-FL11.

Paycheck Protection Program 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, 2023, we had approximately \$169.6 million outstanding under this credit facility.

Senior Secured Notes, Convertible Notes and Corporate Debt, Net

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

(in thousands)	Coupon Rate	Maturity Date	March 31, 2023
Senior secured notes principal amount ⁽¹⁾	4.50 %	10/20/2026	\$ 350,000
Unamortized deferred financing costs - Senior secured notes			(6,202)
Total Senior secured notes, net			\$ 343,798
Convertible notes principal amount ⁽²⁾	7.00 %	8/15/2023	115,000
Unamortized discount - Convertible notes ⁽³⁾			(77)
Unamortized deferred financing costs - Convertible notes			(234)
Total Convertible notes, net			\$ 114,689
Corporate debt principal amount ⁽⁴⁾	5.50 %	12/30/2028	110,000
Corporate debt principal amount ⁽⁵⁾	6.20 %	7/30/2026	104,613
Corporate debt principal amount ⁽⁵⁾	5.75 %	2/15/2026	206,270
Corporate debt principal amount ⁽⁶⁾	6.125 %	4/30/2025	120,000
Corporate debt principal amount ⁽⁷⁾	7.375 %	7/31/2027	100,000
Unamortized discount - corporate debt			(9,141)
Unamortized deferred financing costs - corporate debt			(4,369)
Junior subordinated notes principal amount ⁽⁸⁾	3ML + 3.10 %	3/30/2035	15,000
Junior subordinated notes principal amount ⁽⁹⁾	3ML + 3.10 %	4/30/2035	21,250
Total corporate debt, net			\$ 663,623
Total carrying amount of debt			\$ 1,122,110
Total carrying amount of conversion option of equity components recorded in equity			\$ 77

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

(2) Interest on the convertible notes is payable quarterly on February 15, May 15, August 15, and November 15 of each year.

(3) Represents the discount created by separating the conversion option from the debt host instrument.

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

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

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

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

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

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

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

<i>(in thousands)</i>	<i>March 31, 2023</i>
2023	\$ 115,000
2024	—
2025	120,000
2026	660,883
2027	100,000
Thereafter	146,250
Total contractual amounts	\$ 1,142,133
Unamortized deferred financing costs, discounts, and premiums, net	(20,023)
Total carrying amount of debt	\$ 1,122,110

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.

Convertible notes. On August 9, 2017, we closed an underwritten public sale of \$115.0 million aggregate principal amount of our 7.00% convertible senior notes due 2023 (the "Convertible Notes"). As of March 31, 2023, the conversion rate was 1.6548 shares of common stock per \$25 principal amount of the Convertible Notes, which is equivalent to a conversion price of approximately \$15.11 per share of our common stock. Upon conversion, holders will receive, at our discretion, cash, shares of our common stock or a combination thereof.

We may redeem all or any portion of the Convertible Notes on or after August 15, 2021, if the last reported sale price of our common stock has been at least 120% of the conversion price in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption, at a redemption price payable in cash equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest. Additionally, upon the occurrence of certain corporate transactions, holders may require us to purchase the Convertible Notes for cash at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest.

The Convertible Notes will be convertible only upon satisfaction of one or more of the following conditions: (1) the closing market price of our common stock is greater than or equal to 120% of the conversion price of the respective Convertible Notes for at least 20 out of 30 days prior to the end of the preceding fiscal quarter, (2) the trading price of the Convertible Notes is less than 98% of the product of (i) the conversion rate and (ii) the closing price of our common stock during any five consecutive trading day period, (3) we issue certain equity instruments at less than the 10 day average closing market price of our common stock or the per-share value of certain distributions exceeds the market price of our common stock by more than 10%, or (4) certain other specified corporate events (significant consolidation, sale, merger share exchange, etc.) occur.

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.

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, 2023.

Securitization transactions

Our Manager's extensive experience in loan acquisition, origination, servicing and securitization strategies has enabled us to complete several securitizations of SBC and SBA loan assets since January 2011. These securitizations allow us to match fund the SBC 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 SBC and SBA assets to the various securitizations, these transactions created capacity for us to fund other investments.

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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)	SBC Acquired loans	February 2011	Collapsed	\$ 40.5
Waterfall Victoria Mortgage Trust 2011-3 (SBC3)	SBC Acquired loans	October 2011	Collapsed	143.4
Sutherland Commercial Mortgage Trust 2015-4 (SBC4)	SBC Acquired loans	August 2015	Collapsed	125.4
Sutherland Commercial Mortgage Trust 2018 (SBC7)	SBC 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
Real Estate Mortgage Investment Conduits (REMICs)				
ReadyCap Commercial Mortgage Trust 2014-1 (RCMT 2014-1)	SBC Originated conventional	September 2014	Collapsed	\$ 181.7
ReadyCap Commercial Mortgage Trust 2015-2 (RCMT 2015-2)	SBC Originated conventional	November 2015	Active	218.8
ReadyCap Commercial Mortgage Trust 2016-3 (RCMT 2016-3)	SBC Originated conventional	November 2016	Active	162.1
ReadyCap Commercial Mortgage Trust 2018-4 (RCMT 2018-4)	SBC Originated conventional	March 2018	Active	165.0
Ready Capital Mortgage Trust 2019-5 (RCMT 2019-5)	SBC Originated conventional	January 2019	Active	355.8
Ready Capital Mortgage Trust 2019-6 (RCMT 2019-6)	SBC Originated conventional	November 2019	Active	430.7
Ready Capital Mortgage Trust 2022-7 (RCMT 2022-7)	SBC Originated conventional	April 2022	Active	276.8
Waterfall Victoria Mortgage Trust 2011-2 (SBC2)	SBC Acquired loans	March 2011	Collapsed	97.6
Sutherland Commercial Mortgage Trust 2018 (SBC6)	SBC Acquired loans	August 2017	Active	154.9
Sutherland Commercial Mortgage Trust 2019 (SBC8)	SBC Acquired loans	June 2019	Active	306.5
Sutherland Commercial Mortgage Trust 2020 (SBC9)	SBC Acquired loans	June 2020	Collapsed	203.6
Sutherland Commercial Mortgage Trust 2021 (SBC10)	SBC Acquired loans	May 2021	Active	232.6
Collateralized Loan Obligations (CLOs)				
Ready Capital Mortgage Financing 2017 – FL1	SBC Originated bridge	August 2017	Collapsed	\$ 198.8
Ready Capital Mortgage Financing 2018 – FL2	SBC Originated bridge	June 2018	Collapsed	217.1
Ready Capital Mortgage Financing 2019 – FL3	SBC Originated bridge	April 2019	Active	320.2
Ready Capital Mortgage Financing 2020 – FL4	SBC Originated bridge	June 2020	Active	405.3
Ready Capital Mortgage Financing 2021 – FL5	SBC Originated bridge	March 2021	Active	628.9
Ready Capital Mortgage Financing 2021 – FL6	SBC Originated bridge	August 2021	Active	652.5
Ready Capital Mortgage Financing 2021 – FL7	SBC Originated bridge	November 2021	Active	927.2
Ready Capital Mortgage Financing 2022 – FL8	SBC Originated bridge	March 2022	Active	1,135.0
Ready Capital Mortgage Financing 2022 – FL9	SBC Originated bridge	June 2022	Active	754.2
Ready Capital Mortgage Financing 2022 – FL10	SBC Originated bridge	October 2022	Active	860.1
Ready Capital Mortgage Financing 2022 – FL11	SBC Originated bridge	February 2023	Active	586.0
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⁾	SBC 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 SBC 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, 2023. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations" in the Company's annual report on Form 10-K for further details. As of the date of this quarterly report on Form 10-Q, we had no off-balance sheet arrangements, other than as disclosed.

Critical Accounting Estimates

Our 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 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 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 annual report on 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.

ASC 326, *Financial Instruments-Credit Losses* ("ASC 326"), became effective for us on January 1, 2020 and replaced the "incurred loss" methodology previously required by GAAP with an expected loss model known as the Current Expected Credit Loss ("CECL") model. CECL amends the previous credit loss model to reflect a reporting entity's current estimate of all expected credit losses, not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost. The allowance for credit losses required under ASC 326 is deducted from the respective loans' amortized cost basis on our consolidated balance sheets. The related Accounting Standards Update No. 2016-13 ("ASU 2016-13") also requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.

In connection with ASU 2016-13, we implemented new processes including the utilization of loan loss forecasting models, updates to our reserve policy documentation, changes to internal reporting processes and related internal controls. We implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its loan portfolio. The 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.

Accretion of discounts associated with PPP loans, held for investment

The Company's loan originations in the second round of the program are accounted for as loans, held-for-investment under ASC 310, *Receivables*. 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 net amount between the loan origination fees and direct loan origination costs is recognized as a discount in the carrying value of the loans, and the discount is required to be recognized in income at a constant effective yield over the life of the instrument.

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. Because prepayments from loan forgiveness often deviate from the estimates, the Company periodically recalculates the effective yield to reflect actual prepayments to date and anticipated future prepayments. Anticipated future prepayments are estimated based on past prepayment patterns, historical, current, and projected interest rate environments, among other factors, to predict future cash flows.

Adjustments to anticipated future prepayments are recorded on a retrospective basis, meaning that the net investment or liability is adjusted to the amount that would have existed had the new effective yield been applied since the initial recognition of the instrument. As prepayment speeds change, these accounting requirements can be a source of income volatility. Accelerations of prepayments accelerate the accretion and increase current earnings. Conversely, when prepayments decline, thus lengthening the effective maturity of the instruments and shifting some of the discount accretion to future periods.

Significant judgment is required when evaluating the effective yield on PPP loans; therefore, actual results over time could be materially different. Refer to "Notes to Consolidated Financial Statements, Note 20 – Other Income and Operating Expenses" included in Item 8, "Financial Statements and Supplementary Data," in the annual report on Form 10-K for a more complete discussion of PPP loans, held for investment.

Valuation of financial assets and liabilities carried at fair value

We measure our MBS, derivative assets and liabilities, residential MSRs, 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 annual report on 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. We have elected the fair value option on our residential MSRs, which are not subject to impairment.

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 9 – 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 annual report on 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 the COVID-19 pandemic which remain uncertain and difficult to predict. We continue to monitor the impact of the pandemic and the 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 SBC loans and SBC 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.

The COVID-19 pandemic has adversely impacted the commercial real estate markets, causing reduced occupancy, requests from tenants for rent deferral or abatement, and delays in property renovations currently planned or underway. These negative conditions may persist into the future and impair borrower's ability to pay principal and interest due under our loan agreements. We maintain robust asset management relationships with our borrowers and have leveraged these relationships to address the potential impact of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality and retail assets. Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. Accordingly, we have discussed with our borrowers potential near-term defensive loan modifications, which could include repurposing of reserves, temporary deferrals of interest, or performance test or covenant waivers on loans collateralized by assets directly impacted by the COVID-19 pandemic, and which would typically be coupled with an additional equity commitment and/or guaranty from sponsors. As of March 31, 2023, less than 0.1% of the loans in our commercial real estate portfolio are in forbearance plans. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain investments.

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 SBC 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 SBC 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, 2023, assuming an immediate increase or decrease of 25, 50, 75, and 100 basis points in interest rates.

(in thousands)	12-month pretax net interest income sensitivity profiles							
	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	\$ 20,610	\$ 41,255	\$ 61,902	\$ 82,550	\$ (20,538)	\$ (41,015)	\$ (61,466)	\$ (81,909)
Interest rate swap hedges	1,207	2,414	3,622	4,829	(1,207)	(2,414)	(3,622)	(4,829)
Total	\$ 21,817	\$ 43,669	\$ 65,524	\$ 87,379	\$ (21,745)	\$ (43,429)	\$ (65,088)	\$ (86,738)
Liabilities:								
Recourse debt	\$ (5,891)	\$ (11,781)	\$ (17,672)	\$ (23,562)	\$ 5,891	\$ 11,781	\$ 17,672	\$ 23,562
Non-recourse debt	(11,389)	(22,778)	(34,168)	(45,557)	11,389	22,778	34,168	45,557
Total	\$ (17,280)	\$ (34,559)	\$ (51,840)	\$ (69,119)	\$ 17,280	\$ 34,559	\$ 51,840	\$ 69,119
Total Net Impact to Net Interest Income (Expense)	\$ 4,537	\$ 9,110	\$ 13,684	\$ 18,260	\$ (4,465)	\$ (8,870)	\$ (13,248)	\$ (17,619)

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 SBC 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.

SBC 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 residential and 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 and residential 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.

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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.

<i>(in thousands)</i>	Counterparty Rating	Amount of Risk	Weighted Average Months to Maturity for Agreement	Percentage of Stockholders' Equity
Credit Suisse AG	BBB-/Baa2	\$ 350,090	6.96	18.5%
JPMorgan Chase Bank, N.A.	A+/Aa2	\$ 139,508	18.24	7.4%
Citibank	A+/Aa3	\$ 100,298	3.77	5.3%

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. See "Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in this quarterly report on 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 Securities Exchange Act of 1934, as amended (the "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, 2023. 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, 2023, that has materially affected, or is 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.

On February 24, 2021, Sheila Baker and Merle W. Bundick purported shareholders of Anworth, filed lawsuits in the California Superior Court, styled Baker v. McAdams, et al., No. 21STCV07569 (the "Baker Action") and Bundick v. McAdams, et al., No. 21STCV07571 (the "Bundick Action"). On March 2, 2021, Benjamin Gigli, a purported shareholder of Anworth, also filed a lawsuit in California Superior Court, styled Gigli v. McAdams, et al., No. 21STCV08413 (the "Gigli Action," and together with the Baker Action and the Bundick Action, the "Anworth Merger Actions"). The California State Court Actions were filed against the former members of Anworth's Board of Directors (the "Anworth Board"). The complaints in the Anworth Merger Actions assert that the Anworth Board breached their fiduciary duties by failing to properly consider acquisition proposals that were purportedly superior to the Merger, agreeing to purportedly unreasonable deal protections in connection with the Merger, and authorizing the issuance of the Form 424B3 filed on February 9, 2021, which allegedly contained materially misleading information. The California State Court Actions seek, among other things, rescissory damages and an award of attorneys' and experts' fees. On May 26, 2021, the California State Court Actions were consolidated and restyled In re Anworth Mortgage Asset Corporation Stockholder Litigation, Lead Case No. 21STCV07569. A consolidated amended complaint was filed by Sheila Baker, Merle W. Bundick, and Benjamin Gigli (together, the "Plaintiffs") on June 14, 2021, and the California Superior Court denied Anworth's Demurrer seeking to dismiss the consolidated amended complaint on December 2, 2021. The Anworth Board filed their answer on January 3, 2022.

On December 27, 2022, the parties notified the California Superior Court that they have reached an agreement in principle resolving this action. On March 1, 2023, Plaintiffs moved for preliminary approval of the settlement, and a hearing is scheduled on May 16, 2023 on Plaintiffs' motion for preliminary approval. The settlement is subject to both preliminary and final approval by the California Superior Court.

On April 3, 2023, a purported stockholder of the Company filed a complaint, captioned Whitehead v. Ready Capital Corporation, et al., Case No. 1:23-cv-02773, in the United States District Court for the Southern District of New York. The complaint, which is filed as an individual action, names the Company and its directors as defendants and alleges defendants violated Sections 14(a) and 20(a) of the Exchange Act with respect to the Form S-4 originally filed with the SEC in connection with the proposed Broadmark Merger, and seek to enjoin the Broadmark Merger, as well as damages, costs and attorneys' and experts' fees. The Company intends to vigorously defend against the complaint.

Item 1A. Risk Factors

See the Company's Annual Report on Form 10-K for the year ended December 31, 2022. 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 of Directors approved a share repurchase program authorizing, but not obligating, the repurchase of its common stock, and on September 29, 2022, our Board of Directors approved an increase to the size of the share repurchase program bringing the total authorized repurchases thereunder to \$50.0 million. Repurchases under the stock repurchase program 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 the Company might otherwise be precluded from doing so. The timing and amount of repurchase transactions will be determined by the Company's 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 Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Program
January	37,650	\$ 11.14	—	\$ —
February	73,803	13.05	—	—
March	—	—	—	—
Total	111,453 ⁽¹⁾	\$ 12.40 ⁽²⁾	—	\$ —

(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 to withholdings associated with the vesting of restricted stock units.

(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.

Item 6. Exhibits

Exhibit number	Exhibit description
2.1*	Agreement and Plan of Merger, dated as of December 6, 2020, by and among Ready Capital Corporation, RC Merger Subsidiary, LLC and Anworth Mortgage Asset Corporation (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed December 8, 2020).
2.2*	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).
2.3*	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).
2.4*	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* [First Supplemental Indenture, dated as of August 9, 2017, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed August 9, 2017\).](#)

4.5* [Second Supplemental Indenture, dated as of April 27, 2018, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed April 27, 2018\).](#)

4.6* [Third Supplemental Indenture, dated as of February 26, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.7 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)

4.7* [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 \(incorporated by reference to Exhibit 4.8 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)

4.8* [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 \(incorporated by reference to Exhibit 4.9 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)

4.9* [Fourth Supplemental Indenture, dated as of July 22, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed July 22, 2019\).](#)

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4.10*	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).
4.11*	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).
4.12*	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).
4.13*	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).
4.14*	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).
4.15*	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).
4.16*	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).
10.1	Amended and Restated Contingent Equity Rights Agreement, dated as of March 21, 2023, by and among Ready Capital Corporation, Sutherland Partners, L.P., and Computershare Inc. and its affiliate Computershare Trust Company, N.A.
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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

READY CAPITAL CORPORATION

Date: May 9, 2023

By: /s/ Thomas E. Capasse

Thomas E. Capasse
Chairman of the Board and Chief Executive
(Principal Executive Officer)

Date: May 9, 2023

By: /s/ Andrew Ahlborn

Andrew Ahlborn
Chief Financial Officer
(Principal Accounting and Financial Officer)

AMENDED AND RESTATED CONTINGENT EQUITY RIGHTS AGREEMENT

THIS AMENDED AND RESTATED CONTINGENT EQUITY RIGHTS AGREEMENT, dated as of March 21, 2023 (this "Agreement"), is entered into by and among Ready Capital Corporation, a Maryland corporation ("Parent"), Sutherland Partners, L.P., a Delaware limited partnership (the "Operating Partnership"), and Computershare Inc., a Delaware corporation ("Computershare") and its affiliate Computershare Trust Company, N.A., a national banking association (together with Computershare, the "Rights Agent").

RECITALS

WHEREAS, Parent, the Operating Partnership and American Stock Transfer & Trust Company, LLC (the "Prior Rights Agent") entered into the Contingent Equity Rights Agreement, dated as of March 16, 2022 (the "Original Agreement"), and the First Amendment to Contingent Equity Rights Agreement, dated as of December 28, 2022 (together with the Original Agreement, the "Existing Agreement");

WHEREAS, Parent, the Operating Partnership, the Prior Rights Agent and the Rights Agent entered into an Assignment and Assumption Agreement, dated the date hereof (the "Assignment") pursuant to which the Rights Agent replaced the Prior Rights Agent as rights agent hereunder and Parent, the Operating Partnership and the Rights Agent agreed to amend and restate the Existing Agreement in its entirety by entering into this Agreement;

WHEREAS, Parent is a Maryland corporation operating as a real estate investment trust within the meaning, and under the provisions, of Sections 856 through 860 of the Code for U.S. federal income tax purposes and the sole general partner of the Operating Partnership, which is the operating partnership of Parent;

WHEREAS, Parent, the Operating Partnership, RC Mosaic Sub, LLC, a Delaware limited liability company and a wholly owned Subsidiary of the Operating Partnership ("Merger Sub"), Mosaic Real Estate Credit, LLC, a Delaware limited liability company ("MREC"), Mosaic Real Estate Credit TE, LLC, a Delaware limited liability company ("MREC TE"), MREC International Incentive Split, LP, a Delaware limited partnership ("MREC IIS," and together with MREC and MREC TE, each a "Mosaic Merger Entity" and, collectively, the "Mosaic Merger Entities"), Mosaic Real Estate Credit Offshore, LP, a Cayman Islands exempted limited partnership ("MREC Offshore"), MREC Corp Sub 1 (VO), LLC, a Delaware limited liability company ("MREC Corp Sub 1"), MREC Corp Sub 2 (LA Office), LLC, a Delaware limited liability company ("MREC Corp Sub 2"), MREC Corp Sub 3 (Superblock), LLC, a Delaware limited liability company ("MREC Corp Sub 3" and with MREC Offshore, MREC Corp Sub 1 and MREC Corp Sub 2, each individually a "Mosaic Offshore Entity" and collectively, the "Mosaic Offshore Entities"), Mosaic Special Member, LLC, a Delaware limited liability company (the "Mosaic Special Member"), Mosaic Secured Holdings, LLC, a Delaware limited liability company ("Mosaic Secure Holdings"), MREC Management, LLC, a Delaware limited liability company (the "Mosaic Manager" and with the Mosaic Offshore Entities, Mosaic Special Member and Mosaic Secure Holdings, each individually a "Mosaic Entity" and collectively, the "Mosaic Entities," and with the Mosaic Merger Entities, each individually a "Mosaic Party" and, collectively, the "Mosaic Parties"), entered into a Merger Agreement, dated as of November 3, 2021 (as amended and as it may be further amended or supplemented from time to time pursuant to the terms thereof, the "Merger Agreement");

WHEREAS, the Mosaic Merger Entities, collectively owned, directly or indirectly, a majority of the equity interests in MREC Shared Holdings General Partnership, a Delaware general partnership (“**MREC Shared Holdings**”), MREC REIT Holdings, LLC, a Delaware limited liability company (“**REIT Holdings**”), MREC TE REIT Pref Holdings, LLC, a Delaware limited liability company (“**REIT Pref Holdings**”), MREC TE Holdings, LLC, a Delaware limited liability company (“**TE Holdings**”), and MREC International Holdings, LLC, a Delaware limited liability company (“**International Holdings**”), and MREC Domestic REIT Holdings, LLC, a Delaware limited liability company (“**Domestic REIT Holdings**,” and with MREC Shared Holdings, REIT Holdings, REIT Pref Holdings, TE Holdings and International Holdings, each individually a “**Mosaic Holding Entity**” and, collectively, the “**Mosaic Holding Entities**”), and, directly and through the Mosaic Holding Entities, all of the interests in MREC Good Asset, LLC, a Delaware limited liability company (“**MREC Good Asset**”), MREC U Asset Pool, LLC, a Delaware limited liability company (“**MREC U**”), MREC U2 Asset Pool, LLC, a Delaware limited liability company (“**MREC U2**”), and MREC NU Asset Pool, LLC, a Delaware limited liability company (“**MREC NU**” and, together with MREC Good Asset, MREC U and MREC U2, collectively, the “**Primary Holding Entities**” and each individually a “**Primary Holding Entity**”);

WHEREAS, pursuant to, and subject to the terms and conditions of, the Merger Agreement, the parties intended that Parent and the Operating Partnership acquire control of the Subject Companies by means of (a) the merger of MREC with and into Merger Sub (the “**MREC Merger**”), (b) the merger of MREC TE with and into Merger Sub (the “**MREC TE Merger**”), and (c) the merger of MREC IIS with and into Merger Sub (the “**MREC IIS Merger**”);

WHEREAS, contemporaneously with execution of the Original Agreement, pursuant to the Merger Agreement, the parties consummated (a) the MREC Merger pursuant to which Parent issued the MREC Merger Consideration described in the Merger Agreement, which MREC Merger Consideration includes MREC CERs (as defined herein) issued pursuant to this Agreement, (b) the MREC TE Merger in exchange for the MREC TE Merger Consideration described in the Merger Agreement, which MREC TE Merger Consideration includes MREC TE CERs (as defined herein) issued pursuant to this Agreement, and (c) the MREC IIS Merger in exchange for the MREC IIS Merger Consideration described in the Merger Agreement, which MREC IIS Merger Consideration includes MREC IIS CERs (as defined herein) issued pursuant to this Agreement, pursuant to which Parent and the Operating Partnership have acquired control of the Mosaic Holding Entities, the Primary Holding Companies and their Subsidiaries (each individually a “**Subject Company**” and, collectively, the “**Subject Companies**”); and

WHEREAS, the parties intend to set forth the manner and basis upon which Holders (as defined herein) will hold, and potentially become entitled to receive payments in respect of, CERs (as defined herein).

NOW, THEREFORE, in consideration of the foregoing and the consummation of the transactions referred to above, Parent, the Operating Partnership and the Rights Agent agree, for the equal and proportionate benefit of all Holders, as follows:

1. DEFINITIONS

1.1 Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**Acquiror**” has the meaning set forth in Section 6.3.

"Acting Holder Dispute Notice" has the meaning set forth in Section 2.4(b).

"Acting Holders" means, at the time of determination, Holders of at least 50% of the outstanding CERs as set forth on the CER Register.

"Adjustment Difference" means an amount (which may be positive or negative) equal to the difference (if any) between (i) the actual net proceeds (after deduction of selling expenses, fees or incentives payable to the Mosaic Manager in respect thereof, and any payments that are required to be allocated or remitted to any Person (other than another Subject Company) holding a participation interest in such Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in losses on a *pari passu* basis with retained Parent Party interests)) received after the date hereof by the Parent Parties from the disposition or other resolution of Subject Company Investments in respect of which a Recorded Adjustment was made and (ii) the amount of anticipated net proceeds (after deduction of selling expenses, fees or incentives payable to the Mosaic Manager in respect thereof, and any payments that are required to be allocated or remitted to any Person (other than another Subject Company) holding a participation interest in such Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in losses on a *pari passu* basis with retained Parent Party interests)) from the proposed disposition or other resolution of such Subject Company Investments that was used in the computation of the Recorded Adjustment in respect of such Subject Company Investments.

"Advance" means (i) in respect of any Subject Company Loan in the Covered Portfolio or the Updated Covered Portfolio, any disbursement of funds made by (or on behalf of) any of the Subject Companies (prior to the date hereof) or the Parent Parties (on or after the date hereof) (it being understood that any interest or fees on a Subject Company Loan that have been capitalized and treated as principal of such Subject Company Loan will be considered to have been such a disbursement of funds) in accordance with the loan agreement or other instrument governing such Subject Company Loan and (ii) in respect of any Subject Company Investment in the Covered Portfolio or the Updated Covered Portfolio, the purchase price paid for, or other investment made in respect of, such Subject Company Investment (including any accrued but unpaid dividends or other distributions and all capitalized costs and expenses, such as real-estate-owned marketing and carrying costs and third-party expenses, in respect thereof).

"Affiliate" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Aggregate CER Consideration" means an amount (expressed in Dollars) equal to the product of (i) 90% and (ii) the lesser of (x) the Valuation Excess and (y) the Initial Discount Amount.

"Aggregate Parent Party Funded Amount" means, as of the Revaluation Date, an amount (expressed in Dollars) equal to the sum of (x) all Advances made by or on behalf of any of the Subject Companies or Parent Parties in respect of the Updated Covered Portfolio during the CER Accrual Period (excluding, for the avoidance of doubt, any portion of such Advances in respect of which a participation has been sold (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in credit losses on a *pari passu* basis with retained Parent Party interests)) plus (y) an amount equal to any Recorded Adjustments.

"Aggregate Principal Recovery Amount" means, as of the Revaluation Date, an amount (expressed in Dollars) equal to the sum, without duplication, of all payments of principal or return of capital, as applicable, received by any Parent Party in respect of the Updated Covered Portfolio (excluding, for the

avoidance of doubt, payments in respect of Post-Determination Date Returns and all payments that are required to be allocated or remitted to any Person (other than another Parent Party) holding a participation interest in any Subject Company Loan or Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in credit losses on a pari passu basis with retained Parent Party interests)), and all Liquidation Proceeds received by Parent Parties in respect of the Covered Portfolio (excluding, for the avoidance of doubt, Liquidation Proceeds that are required to be allocated or remitted to any Person (other than another Parent Party) holding a participation interest in any Subject Company Loan or Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in credit losses on a pari passu basis with retained Parent Party interests)), in each case during the CER Accrual Period and in each case excluding the amount of any Recorded Adjustment but including the amount (whether positive or negative) of any Adjustment Difference.

“Alternative Valuation Proposal” has the meaning set forth in [Section 2.4\(b\)](#).

“Assignee” has the meaning set forth in [Section 6.3](#).

“Business Day” means any day except Saturday, Sunday or any other day on which commercial banks located in New York are authorized or required by Law to be closed for business.

“CER” or “CERs” means the contingent rights of the Holders to receive (i) in respect of MREC CERs, shares of Parent Common Stock (and cash in lieu of any fractional shares of Parent Common Stock) pursuant to this Agreement, (ii) in respect of MREC TE CERs, shares of Parent Common Stock (and cash in lieu of any fractional shares of Parent Common Stock) pursuant to this Agreement and (iii) in respect of MREC IIS CERs, shares of Parent Common Stock (and cash in lieu of any fractional shares of Parent Common Stock) pursuant to this Agreement.

“CER Accrual Period” means the period beginning on the first day following the Determination Date and ending on the Revaluation Date.

“CER Certificate” has the meaning set forth in [Section 2.3\(e\)](#).

“CER Consideration” means (i) in respect of MREC CERs, the MREC Per CER Consideration, (ii) in respect of MREC TE CERs, the MREC TE Per CER Consideration and (iii) in respect of MREC IIS CERs, the MREC IIS Per CER Consideration.

“CER Notice” has the meaning set forth in [Section 2.4\(b\)](#).

“CER Register” has the meaning set forth in [Section 2.3\(b\)](#).

“Code” means the Internal Revenue Code of 1986, as amended, including the rules and regulations thereunder.

“Covered Portfolio” means the portfolio of Subject Company Loans and Subject Company Investments listed and more particularly described in Exhibit A hereto.

“Designation Notice” has the meaning set forth in [Section 2.4\(b\)](#).

“Determination Date” means September 30, 2021.

“Determination Date Funded Amount” means \$852,324,172, which amount is equal to (x) the sum of all Advances made by or on behalf of the Subject Companies in respect of the Covered Portfolio on or prior to the Determination Date that remained unpaid as of such date (excluding, for the avoidance of doubt, any portion of such Advances in respect of which a participation has been sold (which participation is a binding obligation of a Person that is not a Subject Company and under the terms of which such participation shares in credit losses on a *pari passu* basis with retained Subject Company interests)) plus (y) an amount equal to any Recorded Adjustments.

“Dispute Notice” has the meaning set forth in Section 2.4(b).

“Dollars” or **“US\$”** means dollars in lawful currency of the United States of America.

“Event of Default” has the meaning set forth in Section 5.1.

“Fair Value” means, as of the Revaluation Date, the fair value of the Updated Covered Portfolio (excluding any Post-Determination Date Returns otherwise reflected therein and excluding any portion of such fair value attributable to the rights of any Person in any participation in any Subject Company Loan or Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the terms of which such participation shares in credit losses on a *pari passu* basis with retained Parent Party interests) contained in the Updated Covered Portfolio) as determined by the Parent using valuation methodologies reasonably consistent with those used by Parent in determining the Initial Discount Amount.

“Funds” has the meaning set forth in Section 3.2(a).

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

“Holder” means a MREC CER Holder, MREC TE CER Holder or MREC IIS CER Holder.

“ICC” has the meaning set forth in Section 6.6.

“Initial Discount Amount” means \$98,900,000.

“Initial Discounted Valuation” means \$753,424,172, which is an amount (expressed in Dollars) equal to the sum of (i) the Determination Date Funded Amount minus (ii) the Initial Discount Amount.

“Issuance Date” means the date that is the later of (i) twenty five (25) Business Days following the date of the CER Notice or (ii) if a Dispute Notice is delivered on a timely basis, ten (10) Business Days following the date on which all disputed items in such Dispute Notice are finally resolved pursuant to Section 6.6.

“Liquidation Proceeds” means, in respect of the disposal (whether by sale, transfer, assignment, participation or otherwise) by any Parent Party to any Person (other than to another Parent Party) of any Subject Company Loan or Subject Company Investment during the CER Accrual Period, all proceeds received by any Parent Parties as a result thereof (excluding, for the avoidance of doubt, any proceeds in respect of Post-Determination Date Returns and any proceeds that are required to be allocated or remitted to any Person holding a participation interest in such Subject Company Loan or Subject Company Investment (which participation is a binding obligation of a Person that is not a Parent Party and under the

terms of which such participation shares in credit losses on a pari passu basis with retained Parent Party interests)) less any expenses incurred by such Parent Party in connection therewith.

"Loss" has the meaning set forth in Section 3.2(h).

"MREC CER" means a CER received as MREC Merger Consideration pursuant to the Merger Agreement and designated as such pursuant to this Agreement.

"MREC CER Holder" means a Person in whose name a MREC CER is registered in the CER Register at the applicable time.

"MREC CER Payment Ratio" means the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the MREC Per CER Consideration Amount by (ii) the Parent Share Value.

"MREC CER Share Percentage" means 66.173%, which represents the percentage interest of all MREC CER Holders in the Aggregate CER Consideration.

"MREC IIS CER" means a CER received as MREC TE Merger Consideration pursuant to the Merger Agreement and designated as such pursuant to this Agreement.

"MREC IIS CER Holder" means a Person in whose name a MREC IIS CER is registered in the CER Register at the applicable time.

"MREC IIS CER Payment Ratio" means the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the MREC IIS Per CER Consideration Amount by (ii) the Parent Share Value.

"MREC IIS CER Share Percentage" means 3.346%, which represents the percentage interest of all MREC IIS CER Holders in the Aggregate CER Consideration.

"MREC IIS Per CER Consideration" has the meaning set forth in Section 2.4(a).

"MREC IIS Per CER Consideration Amount" means an amount (expressed in Dollars) equal to the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the product of (x) the Aggregate CER Consideration and (y) the MREC IIS CER Share Percentage by (ii) the initial number of MREC IIS CERs.

"MREC Per CER Consideration" has the meaning set forth in Section 2.4(a).

"MREC Per CER Consideration Amount" means an amount (expressed in Dollars) equal to the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the product of (x) the Aggregate CER Consideration and (y) the MREC CER Share Percentage by (ii) the initial number of MREC CERs.

"MREC TE CER" means a CER received as MREC TE Merger Consideration pursuant to the Merger Agreement and designated as such pursuant to this Agreement.

"MREC TE CER Holder" means a Person in whose name a MREC TE CER is registered in the CER Register at the applicable time.

"MREC TE CER Payment Ratio" means the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the MREC TE Per CER Consideration Amount by (ii) the Parent Share Value.

"MREC TE CER Share Percentage" means 30.481%, which represents the percentage interest of all MREC TE CER Holders in the Aggregate CER Consideration.

"MREC TE Per CER Consideration" has the meaning set forth in Section 2.4(a).

"MREC TE Per CER Consideration Amount" means an amount (expressed in Dollars) equal to the quotient (rounded to the nearest one ten-thousandth) obtained by dividing (i) the product of (x) the Aggregate CER Consideration and (y) the MREC TE CER Share Percentage by (ii) the initial number of MREC TE CERS.

"Officer's Certificate" means a certificate signed by the chief executive officer, president, chief financial officer, any vice president, the controller, the treasurer or the secretary, in each case of Parent, in his or her capacity as such an officer, and delivered to the Rights Agent.

"Parent Common Stock" means the common stock of Parent, par value \$0.0001 per share.

"Parent Dispute Notice" has the meaning set forth in Section 2.4(b).

"Parent Party" means each of Parent, the Operating Partnership, and their respective Subsidiaries (including the Subject Companies).

"Parent Share Value" means the greater of (i) (A) the average of the volume weighted average prices of one share of Parent Common Stock for the ten consecutive trading days immediately preceding, but not including, the Revaluation Date, as reported by Bloomberg, L.P., or (B) if the Parent Common Stock is not then listed on a United States national securities exchange, the average of the last quoted bid prices for Parent Common Stock in the over-the-counter market as reported by Pink OTC Markets Inc. or another similar organization for the ten consecutive trading days immediately preceding, but not including, the Revaluation Date, and (ii) the most recent publicly reported book value per share of Parent Common Stock immediately preceding the Revaluation Date.

"Permitted Transfer" means a transfer of CERs (a) upon death of a Holder by will or intestacy; (b) pursuant to a court order; (c) by operation of law (including by consolidation or merger) or without consideration in connection with the dissolution, liquidation or termination of any corporation, limited liability company, partnership or other entity, including any Plan of Liquidation; or (d) as provided in Section 2.6.

"Person" or **"person"** means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

"Plan of Liquidation" has the meaning set forth in the Merger Agreement.

"Post-Determination Date Returns" means, with respect to the Subject Company Loans and Subject Company Investments as of any date of determination, the aggregate of all interest and fees (whether or not paid or accrued) with respect to each Subject Company Loan and all accrued dividends and other distributions (whether or not paid or accrued) with respect to each Subject Company Investment, in each case to the extent attributable to the period beginning on the first day following the Determination Date and ending on such date of determination.

"Recorded Adjustment" has the meaning set forth in the Merger Agreement.

"Revaluation Date" means the day that is the three-year anniversary of the date hereof (or if such day is not a Business Day, the next following Business Day).

"Revaluation Value" means an amount (expressed in Dollars) equal to the Fair Value of the Updated Covered Portfolio as of the Revaluation Date.

"Rights Agent" means the Rights Agent named in the first paragraph of this Agreement, until a successor Rights Agent becomes such pursuant to the applicable provisions of this Agreement, and thereafter "Rights Agent" shall mean such successor Rights Agent.

"Rules" has the meaning set forth in Section 6.6.

"Subject Company Investment" has the meaning set forth in the Merger Agreement.

"Subject Company Loan" has the meaning set forth in the Merger Agreement.

"Subsidiary" means any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which the applicable Person holds, directly or indirectly, stock or other equity ownership interests representing more than 50% of the voting power of all outstanding stock or equity ownership interests of such entity.

"Tax" or "Taxes" means any and all U.S. federal, state, local and non-U.S. taxes, assessments, levies, duties, tariffs, imposts and other similar charges and fees imposed by any Governmental Authority, including, income, franchise, windfall or other profits, gross receipts, property, sales, use, net worth, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, excise, withholding, ad valorem, stamp, transfer, value-added, occupation, environmental, disability, real property, personal property, registration, alternative or add-on minimum or estimated tax, including any interest, penalty, additions to tax or additional amounts imposed with respect thereto, whether disputed or not.

"Trustee Holder" means a Holder of CERs that confirms in writing to the Rights Agent that it is a trustee of one or more Individual Retirement Accounts or Roth IRAs (as defined in Sections 408 and 408A of the Code), Archer MSAs (as defined in Section 220(d) of the Code), or Health Savings Account (as defined in Section 223(d) of the Code) holding CERs as assets.

"Updated Covered Portfolio" means the Covered Portfolio as updated, adjusted or modified by Parent on or prior to the Revaluation Date in order to reflect (i) any dispositions (whether by sale, transfer, assignment, participation or otherwise) of any portion of any Subject Company Loan or Subject Company Investment (other than to another Parent Party), (ii) any changes in the aggregate outstanding principal amount and/or commitment amounts (whether funded or unfunded) of Subject Company Loans, in each case as the result of repayments of principal by the underlying obligors of such loans, Advances made by any Parent Party in respect of such loans, or otherwise, and (iii) any changes resulting from any redemption or repurchase of a Subject Company Investment by the issuer thereof or any of its Affiliates, in each case during the CER Accrual Period.

"Valuation Excess" has the meaning set forth in Section 2.4(a).

"Valuation Expert" has the meaning set forth in Section 2.4(b).

1.2 Rules of Construction. For purposes of this Agreement, the parties hereto agree that: (a) whenever the context requires, the singular number shall include the plural, and vice versa; (b) the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include masculine and feminine genders; (c) the word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and does not simply mean "if"; (d) the words "include" and "including," and variations thereof, shall not be

deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation;" (e) the meaning assigned to each capitalized term defined and used in this Agreement is equally applicable to both the singular and the plural forms of such term, and words denoting any gender include all genders; (f) where a word or phrase is defined in this Agreement, each of its other grammatical forms has a corresponding meaning unless the context otherwise requires; (g) a reference to any specific Law or to any provision of any Law includes any amendment to, and any modification, re-enactment or successor thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued thereunder or pursuant thereto; (h) references to any agreement or Contract are to that agreement or Contract as amended, modified or supplemented; (i) they have been represented by legal counsel during the negotiation and execution and delivery of this Agreement and therefore waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document; and (j) the word "or" shall not be exclusive (i.e., "or" shall be deemed to mean "and/or") unless the subjects of the conjunction are mutually exclusive. The headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

2. CONTINGENT VALUE RIGHTS

2.1 CERs. The CERs represent the contingent rights of Holders to receive the CER Consideration, in each case pursuant to, on the terms provided in, and in accordance with, this Agreement.

2.2 Initial Holders; CERs Non-Transferable.

(a) The initial Holders shall be determined pursuant to the terms of the Merger Agreement. As soon as practicable after the date hereof, Parent shall furnish or cause to be furnished to the Rights Agent, in a form reasonably satisfactory to the Rights Agent, the names and addresses of the initial Holders.

(b) The CERs may not be sold, assigned, transferred, pledged, encumbered or in any other manner transferred or disposed of, in whole or in part, other than through a Permitted Transfer. Any such sale, assignment, transfer, pledge, encumbrance or disposal that is not a Permitted Transfer shall be void *ab initio* and of no effect.

2.3 Certificates; Registration; Registration of Transfer; Change of Address

(a) The CERs shall be recorded on the CER Register in book-entry form, unless any Trustee Holder requests that the Rights Agent issue to such Trustee Holder a CER Certificate evidencing CERs for which such Trustee Holder serves as trustee.

(b) The Rights Agent shall keep a register (the "**CER Register**") for the purpose of (i) identifying which CERs are MREC CERs and which are MREC TE CERs or MREC IIS CERs, (ii) identifying the Holders of CERs and (iii) registering CERs and Permitted Transfers thereof. The CER Register shall show the name and address of each Holder of CER Certificates, the number of CERs evidenced on its face by each CER Certificate and the date of each CER Certificate.

(c) Subject to the restrictions on transferability set forth in Section 2.2, every request made to transfer a CER must be in writing and accompanied by a written instrument of transfer and other documentation reasonably requested by the Rights Agent in form reasonably satisfactory to the Rights Agent pursuant to its guidelines, which may include, if applicable, a guaranty of signature by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program (a "Medallion Guarantee"), duly executed by the Holder thereof, the Holder's attorney duly authorized in

writing, the Holder's personal representative or the Holder's survivor, as applicable, and setting forth in reasonable detail the circumstances relating to the transfer. Any Holder whose CERs are evidenced by a CER Certificate shall surrender, together with any required form of assignment duly executed and properly completed and, if requested by the Rights Agent, a Medallion Guarantee, the CER Certificate to be transferred at the office of the Rights Agent designated for such purpose. Upon receipt of such written notice, the Rights Agent shall, subject to its reasonable determination that the transfer instrument is in proper form, notify the Parent that it has received such written notice. Upon receipt of such notice from the Rights Agent, Parent shall determine whether the transfer otherwise complies with the other terms and conditions of this Agreement (including the provisions of Section 2.2), and if the Parent so reasonably determines that it does so comply, Parent shall instruct the Rights Agent in writing to register the transfer of the CERs in the CER Register and notify Parent and the Operating Partnership of the same. No service charge shall be made for any registration of transfer of a CER, but Parent, the Operating Partnership and the Rights Agent may require payment of a sum sufficient to cover any stamp or other Tax or charge that is imposed in connection with any such registration of transfer. The Rights Agent shall have no duty or obligation to take any action under any section of this Agreement that requires the payment by a Holder of a CER of applicable Taxes or charges unless and until the Rights Agent is reasonably satisfied that all such Taxes or charges have been paid. Neither the Rights Agent nor Parent or the Operating Partnership shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered CER Certificate until the Holder has properly completed and executed the certificate set forth in the form of assignment on the reverse side of such CER Certificate and has provided such additional evidence of the identity of the Holder of the CERs represented by such CER Certificate as Parent, the Operating Partnership or the Rights Agent requests, whereupon the Parent and Operating Partnership shall prepare and execute and Rights Agent shall countersign and deliver to the person entitled thereto a CER Certificate as so requested. All duly transferred CERs registered in the CER Register shall be the valid obligations of Parent and the Operating Partnership, and shall entitle the transferee to the same benefits and rights under this Agreement as those held immediately prior to the transfer by the transferor. No transfer of a CER shall be valid unless and until registered in the CER Register in accordance with this Agreement.

(d) A Holder may make a written request to the Rights Agent to change such Holder's address of record in the CER Register. The written request must be duly executed by the Holder. Upon receipt of such written request, the Rights Agent is hereby authorized to, and shall promptly, record the change of address in the CER Register.

(e) If requested by a Trustee Holder to satisfy certain requirements under the Code, Parent and the Operating Partnership will prepare and execute, and the Rights Agent will countersign and send or cause to be sent to such Trustee Holder one or more certificates, in substantially the form of Exhibit C hereto (a "CER Certificate"), evidencing the number of CERs held by each such Trustee Holder, with an accompanying addendum specifying the number and type of CERs held by such Trustee Holder in each Individual Retirement Account, Roth IRA, Archer MSA, or Health Savings Account for which such Trustee Holder serves as trustee. The CER Certificates shall be substantially in the form set forth in Exhibit C hereto and may have such changes or marks of identification or designation and such legends, summaries, or endorsements printed thereon as Parent may deem appropriate (but which do not affect the rights, duties, liabilities, protections or responsibilities of the Rights Agent), and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or any rule or regulation.

(f) The CER Certificates shall be executed by Parent, on its own behalf and, as the Operating Partnership's general partner, on behalf of the Operating Partnership, by its Chief Executive Officer, President, Secretary, Treasurer, any Vice President, any Assistant Secretary or any other officer of Parent, and shall be attested by Parent's and the Operating Partnership's Secretary or one of its Assistant Secretaries. The signature of any of these officers on the CER Certificates may be manual or by facsimile or other customary means of electronic transmission (e.g., pdf). CER Certificates bearing the manual or

facsimile signatures of the individuals who were at the time of execution the proper officers of the Parent shall bind Parent and the Operating Partnership, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersigning of such CER Certificates by the Rights Agent or did not hold such offices at the date of such CER Certificates. No CER Certificate shall be entitled to any benefit under this Agreement or shall be valid for any purpose unless there appears on such CER Certificate a countersignature duly executed by the Rights Agent by manual or facsimile or other customary means of electronic transmission (e.g., pdf) of an authorized officer, and such countersignature upon any CER Certificate shall be conclusive evidence, and the only evidence, that such CER Certificate has been duly countersigned as required hereunder.

(g) If a CER Certificate is mutilated, lost, stolen or destroyed, upon written request by the Holder of the CERs represented thereby and upon payment to Parent, the Operating Partnership and the Rights Agent of all reasonable expenses incident thereto, there shall be issued, in exchange for and upon cancellation of the mutilated CER Certificate, or in substitution for the lost, stolen or destroyed CER Certificate, a new CER Certificate, in substantially the form of the prior CER Certificate, and representing the equivalent number of CERs, but, in the case of loss, theft, or destruction, only upon receipt of evidence satisfactory to Parent, the Operating Partnership and the Rights Agent of such loss, theft or destruction of such Rights Certificate and such additional evidence of the identity of the Holder as Parent, the Operating Partnership or the Rights Agent requests, and, if requested by Parent, the Operating Partnership or the Rights Agent, indemnity and/or the posting of a bond also satisfactory to Parent, the Operating Partnership and/or the Rights Agent to cover any claim that may be made against them with respect to such CER Certificate. Subject to applicable law and regulation and its own policies and procedures, the Rights Agent shall maintain, in a retrievable database, electronic records of all CER Certificates cancelled or destroyed by the Rights Agent. The Rights Agent shall maintain such electronic records or physical records for the time period required by applicable law and regulation. Upon written request of Parent or the Operating Partnership (and at the expense of Parent and the Operating Partnership), the Rights Agent shall provide to Parent or the Operating Partnership or their designee copies of such electronic records or physical records relating to CER Certificates cancelled or destroyed by the Rights Agent.

2.4 CER Consideration.

(a) If, on the Revaluation Date, (A) the sum of (x) the Revaluation Value *minus* the Aggregate Parent Party Funded Amount, in each case as of the Revaluation Date, and (y) the Aggregate Principal Recovery Amount exceeds (B) the Initial Discounted Valuation (the amount of such excess, the "**Valuation Excess**"), then, on the Issuance Date, Parent will issue and the Operating Partnership will deliver (i) to the MREC CER Holders, in respect of each MREC CER, a number of shares of Parent Common Stock equal to the MREC CER Payment Ratio (together with any additional shares of Parent Common Stock or cash to be paid pursuant to Section 2.5(b) and any cash being paid in lieu of a fractional share, the "**MREC Per CER Consideration**"), (ii) to the MREC TE CER Holders, in respect of each MREC TE CER, a number of shares of Parent Common Stock equal to the MREC TE CER Payment Ratio (together with any additional shares of Parent Common Stock or cash to be paid pursuant to Section 2.5(b) and any cash being paid in lieu of a fractional share, the "**MREC TE Per CER Consideration**") and (iii) to the MREC IIS CER Holders, in respect of each MREC IIS CER, a number of shares of Parent Common Stock equal to the MREC IIS CER Payment Ratio (together with any additional shares of Parent Common Stock or cash to be paid pursuant to Section 2.5(b) and any cash being paid in lieu of a fractional share, the "**MREC IIS Per CER Consideration**"). No fractional shares of Parent Common Stock shall be issued in respect of any CERs, and any Holder that is entitled to receive a fraction of a share of Parent Common Stock (taking into account all CERs held by such Holder) shall instead receive cash with respect to any fractional share of Parent Common Stock in an amount equal to the product of (I) such fractional part of a share of Parent Common Stock multiplied by (II) the Parent Share Value. For the avoidance of doubt, if the Valuation Excess is less than or equal to \$0, then neither Parent nor the Operating Partnership shall have

any obligation to issue or deliver any CER Consideration and the CERs shall be extinguished and shall have no further force or effect.

(b) Not later than thirty (30) Business Days following the Revaluation Date, Parent shall deliver to the Rights Agent a written notice (the "**CER Notice**") setting forth a computation of the Valuation Excess and, if the Valuation Excess is greater than \$0, computations of the CER Consideration, in substantially the form attached hereto as Exhibit B, together with an Officer's Certificate certifying such computations. The Rights Agent shall promptly, and in any event within five (5) Business Days of receipt of the CER Notice, send each Holder at its registered address a copy of such CER Notice.

(c) Within twenty (20) Business Days of the delivery of the CER Notice, the Acting Holders may deliver to Parent (with a copy to the Rights Agent) a written notice (a "**Dispute Notice**") stating that the Acting Holders dispute the accuracy of the CER Notice, setting forth the basis for such dispute and, in reasonable detail, those items and amounts as to which the Acting Holders disagree, and the Acting Holders shall be deemed to have agreed with all other items and amounts contained in the CER Notice. Within five (5) days after receipt of a Dispute Notice, Parent shall (i) designate a nationally recognized independent valuation expert to make a binding determination only as to the matters in dispute as specified in the Dispute Notice and (ii) give written notice of such designation (a "**Designation Notice**") to the Rights Agent and to the Acting Holders at whose direction the Dispute Notice was delivered. If such Acting Holders give Parent written notice that such Acting Holders object to such designation within five (5) Business Days after such Acting Holders' receipt of the Designation Notice (such notice, a "**Acting Holders Objection Notice**"), such Acting Holders, within five (5) business days following the date of the Acting Holders Objection Notice, shall provide a written proposal to Parent (with a copy thereof to the Rights Agent) for the appointment of an alternate independent valuation expert (which shall be selected by the Acting Holders) to make a binding determination as to the matters in dispute as specified in the Dispute Notice (such proposal, and "**Alternate Valuation Proposal**"). If, within five (5) business days of the Alternate Valuation Proposal, Parent gives such Acting Holders and the Rights Agent written notice that such Parent objects to such Alternate Valuation Proposal (a "**Parent Objection Notice**"), within five (5) Business Days after the Parent Objection Notice, Parent and the Acting Holders shall jointly request the then head of the Capital Markets Group at CBRE to appoint another nationally recognized independent valuation expert, whose appointment shall be final, conclusive, and binding on the parties and the Holders; *provided*, that if the Acting Holders do not reject such valuation expert within such five (5) Business Day period, the Holders shall be deemed to have accepted the appointment of such valuation expert (in each case, the "**Valuation Expert**"). The Valuation Expert will, under the terms of its engagement, as an expert and not an arbitrator, be required to render its written decision with respect to such disputed items and amounts within thirty (30) Business Days from the date of such appointment. The Valuation Expert shall deliver to the Parent, the Acting Holders and the Rights Agent a written report setting forth its adjustments, if any, to the CER Notice based on the Valuation Expert's determination, solely with respect to the disputed items and amounts in accordance with this Agreement, and such report shall include the calculations supporting such adjustments; *provided*, that for each item set forth in the Dispute Notice, the Valuation Expert shall assign a value for each such item no greater than the higher amount, and no less than the lower amount, calculated or set forth in the CER Notice or the Dispute Notice with respect to such item, as the case may be. The Valuation Expert shall have no power to amend or supplement the terms of this Agreement or the Merger Agreement or act *ex aequo et bono*. The Valuation Expert's report shall be final, conclusive, and binding on the parties hereto and the Holders, shall not be subject to further review by any court, and no party or Holder nor any of their respective Affiliates or Representatives may seek recourse to any courts, other tribunals or otherwise, other than to enforce the determination of the Valuation Expert. The fees and expenses of the Valuation Expert for purposes of this Section 2.4(b) shall be borne solely by Parent.

(d) In the event that the Acting Holders do not deliver a Dispute Notice to Parent during such twenty (20) Business Day period, the Holders shall be deemed to have accepted the accuracy

of the CER Notice, and the calculations of the Valuation Excess and the CER Consideration (if any) set forth therein shall be final, conclusive and binding upon the parties and the Holders.

(e) On the Issuance Date, Parent and the Operating Partnership shall deliver the CER Consideration to the Rights Agent, along with any letters of instruction reasonably required by the Rights Agent. With respect to CERs issued in book-entry form, the Rights Agent shall promptly, and in any event within ten (10) Business Days of receipt of the CER Consideration, subsequently deliver the CER Consideration to the applicable Holders at their respective registered addresses in accordance with this Agreement. With respect to CERs issued in the form of CER Certificates, the Rights Agent shall, within ten (10) business days of receipt of the CER Consideration, deliver an instruction letter to the Holders of CER Certificates, which shall specify that delivery of the CER Consideration shall be effected to each such Holder upon proper delivery of the CER Certificates to the Rights Agent. Upon receipt of a CER Certificate, and any other documentation required by the Rights Agent, the Rights Agent shall promptly, and in any event within five (5) Business Days, cause the CER Consideration to be delivered to or upon the order of the Holder of such CER Certificate, registered in such name or names as may be designated by such Holder. All CER Certificates so surrendered shall be cancelled by the Rights Agent.

(f) Each of Parent, the Operating Partnership and the Rights Agent shall be entitled to deduct or withhold, or cause to be deducted or withheld, from any payments made pursuant to this Agreement such amounts as are required to be deducted or withheld therefrom under the Code, the U.S. Treasury Regulations thereunder, or any other applicable Tax law, as may be reasonably determined by Parent, the Operating Partnership or the Rights Agent, as applicable. Prior to making any Tax withholdings or causing any Tax withholdings to be made with respect to any Holder, the Rights Agent shall (if directed by the Parent) use commercially reasonable efforts to solicit from such Holder an IRS Form W-9 or other applicable Tax form in order to provide a reasonable opportunity for the Holder to provide such Tax forms to avoid or reduce such withholding amounts, and delivery of CER Consideration to such Holder may be reasonably delayed in order to gather such necessary Tax forms. The Rights Agent shall, if timely instructed by the Parent, promptly and timely remit, or cause to be remitted, any amounts it withholds in respect of Taxes to the appropriate Governmental Authority. To the extent any amounts are deducted or withheld and properly and timely remitted to the appropriate Governmental Authority, such amounts shall be treated for all purposes under this Agreement and the Merger Agreement as having been paid to the Holder to whom such amounts would otherwise have been paid, and, to the extent required by applicable Law, Parent or the Operating Partnership, as applicable, shall deliver (or shall cause the Rights Agent to deliver) to the Holder to whom such amounts would otherwise have been paid an Internal Revenue Service Form 1099, an Internal Revenue Service Form W-2 or other reasonably acceptable evidence of such withholding.

(g) If any CER Consideration delivered to the Rights Agent for payment to Holders remains undistributed to any Holders on the date that is six (6) months after the Issuance Date, Parent shall be entitled to require the Rights Agent to deliver to Parent or its designee any CER Consideration which had been made available to the Rights Agent and not disbursed to the Holders (including, all interest and other income received by the Rights Agent in respect of all funds made available to it), and, thereafter, such Holders shall be entitled to payment from Parent and the Operating Partnership (subject to abandoned property, escheat and other similar Law and Section 2.4(f)) as general creditors thereof with respect to the CER Consideration that may be payable.

(h) Neither Parent, the Rights Agent nor any of their Affiliates shall be liable to any Holder for any CER Consideration delivered to a public official pursuant to any abandoned property, escheat or other similar Law. If, despite Parent's and/or the Rights Agent's commercially reasonable efforts to deliver any CER Consideration to the applicable Holder, such CER Consideration has not been paid prior to two (2) years after the Issuance Date (or immediately prior to such earlier date on which such CER Consideration would otherwise escheat to or become the property of any Governmental Authority), such CER Consideration will, to the extent permitted by applicable Law, become the property of Parent, free and

clear of all claims or interest of any person previously entitled thereto. In addition to and not in limitation of any other indemnity obligation herein, Parent agrees to indemnify and hold harmless the Rights Agent with respect to any liability, penalty, cost or expense the Rights Agent may incur or be subject to in connection with transferring such property to Parent, unless such liability, penalty, cost or expense has been determined by a final non-appealable judgment of a court of competent jurisdiction to be a result of Rights Agent's gross negligence, bad faith or willful misconduct.

(i) Except to the extent any portion of any CER Consideration is required to be treated as imputed interest pursuant to applicable Law, Parent and the Operating Partnership intend to treat the CER Consideration for all U.S. federal and applicable state and local income Tax purposes as additional Merger Consideration paid at the Effective Time pursuant to the Merger Agreement; *provided* that notwithstanding the foregoing, consistent with the provisions of Section 2.5, Parent and the Operating Partnership agree that the CER Consideration constitutes contingent consideration that will be considered received by, and taxable to, the Holders if and when received pursuant to the installment method of Section 453 of the Code, except to the extent that a Holder elects out of the installment method.

(j) The CER Consideration shall be equitably adjusted to reflect the effect of any stock split, reverse stock split, stock dividend (including any dividend or other distribution of securities convertible into Parent Common Stock, as applicable), subdivision, reorganization, reclassification, recapitalization, combination, exchange of equity interests or other like change with respect to the number of shares of Parent Common Stock outstanding after the Revaluation Date and prior to the Issuance Date.

2.5 No Voting, Dividends or Interest: No Equity or Ownership Interest

(a) The CERs shall not represent any equity or ownership interest in Parent or the Operating Partnership or in Merger Sub or any other constituent company in the Mergers or any of their respective Subsidiaries or Affiliates. The CERs shall not have any voting, dividend or distribution rights, and interest shall not accrue on any amounts payable on or in respect of the CERs to any Holder.

(b) Notwithstanding the provisions of Section 2.5(a), as a component of the CER Consideration to which such Holder is entitled to receive, a Holder shall be entitled to receive, in each case, without interest, (x) a number of shares of Parent Common Stock equal to the quotient obtained by dividing (A) the amount of any dividends or other distributions paid with respect to the shares of Parent Common Stock represented by the number of whole shares of Parent Common Stock received by such Holder in respect of such Holder's CERs and having a record date on or after the Effective Time and a payment date prior to the Issuance Date by (B) the Parent Share Value (with cash being paid in lieu of any fractional shares of Parent Common Stock in an amount equal to the product of (I) such fractional part of a share of Parent Common Stock multiplied by (II) the Parent Share Value) and (y) at the appropriate payment date or as promptly as practicable thereafter, the amount of any dividends or other distributions payable with respect to such shares of Parent Common Stock and having a record date on or after the Effective Time but prior to the Issuance Date and a payment date on or after the Issuance Date.

2.6 Ability to Abandon CER. A Holder may at any time, at such Holder's option, abandon any or all of such Holder's remaining rights in a CER by transferring such CER to Parent, the Operating Partnership or any of their respective Affiliates without consideration therefor. Nothing in this Agreement shall prohibit Parent, the Operating Partnership or any of their respective Affiliates from offering to acquire or acquiring any CERs for consideration from the Holders, in private transactions or otherwise, in their sole discretion. Parent shall promptly notify Rights Agent of any CERs acquired by Parent, the Operating Partnership or any of their respective Affiliates, and each such acquired CERs shall be automatically deemed extinguished and no longer outstanding for purposes of the definition of Acting Holders.

2.7 Books and Records; Segregation of Covered Portfolio; Quarterly Reporting.

(a) Parent shall, and shall cause its Affiliates to, keep true, complete and accurate records in sufficient detail with respect to the Updated Covered Portfolio to enable the Rights Agent and the Acting Holders and their consultants and professional advisors to confirm the applicable CER Consideration payable to each Holder hereunder in accordance with the terms specified in this Agreement.

(b) Parent shall use commercially reasonable efforts to avoid commingling the assets contained in the Updated Covered Portfolio with other assets of Parent and its Subsidiaries that are not part of the Updated Covered Portfolio, including holding the assets constituting the Updated Covered Portfolio in separate subsidiaries from those that hold assets that are not part of the Updated Covered Portfolio; *provided*, that Parent shall have the flexibility to make such adjustments as it believes are required to maintain its qualification as a REIT or to preserve any exemption under the Investment Company Act of 1940.

(c) Within forty-five (45) days after the end of each calendar quarter ending after the date of this Agreement and before the Revaluation Date, Parent shall prepare and deliver to the Rights Agent and to the Mosaic Manager a written report, in such form as Parent shall determine, summarizing the performance of, and significant activity in, the Updated Covered Portfolio during such calendar quarter; *provided*, that such report shall be provided for information purposes only, and shall have no bearing on the determination of, and may not be used as a basis for determining, any Valuation Excess or the amount of CER Consideration.

2.8 Certain Actions. Neither Parent nor any of its Affiliates will take any action that is intended primarily to reduce the amount of any CER Consideration or restrict Parent's ability to issue or pay any of the CER Consideration hereunder; *provided*, that the foregoing shall be subject in all respects to the prudent business judgment of Parent's board of directors or management in connection with the conduct of its business, including management of the Updated Covered Portfolio, and shall not require Parent or any of its Affiliates to take or refrain from taking, or prohibit Parent or any of its Affiliates from taking or refraining from taking, any actions in respect of the Updated Covered Portfolio, including (i) any liquidation or disposition of a Subject Company Loan or Subject Company Investment, or any interests therein, (ii) any negotiations with borrowers or other counterparties with respect to any matters relating to any Subject Company Loans or Subject Company Investments, including any agreement or failure to agree to compromise or amend the terms of, or effect a discounted payoff of, any Subject Company Loan or Subject Company Investment, or (iii) any actions taken or not taken on the advice, or against the advice of, the Mosaic Manager under the Services Agreement.

3. **THE RIGHTS AGENT**

3.1 Certain Duties and Responsibilities. The Rights Agent shall not have any liability for any actions taken or omitted to be taken in connection with this Agreement, except to the extent of its fraud, gross negligence, bad faith or willful or intentional misconduct.

3.2 Certain Rights of the Rights Agent. Parent hereby appoints the Rights Agent to act as rights agent for Parent. The Rights Agent shall act hereunder solely as agent for Parent and shall not assume any obligations or relationship of agency or trust with any of the Holders. The Rights Agent shall not have any duty or responsibility in the case of the receipt of any written demand from any Holders with respect to any action, default or Event of Default by Parent or Operating Partnership, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or to make any demand upon Parent or Operating Partnership. The Rights Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Rights Agent. In addition:

(a) the Rights Agent may rely and shall be protected and held harmless by Parent in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document believed by it in the absence of bad faith to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever the Rights Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Rights Agent may rely upon an Officer's Certificate, which certificate shall be full authorization and protection to the Rights Agent, and the Rights Agent shall, in the absence of gross negligence, bad faith or willful misconduct on its part (each as determined by a final non-appealable judgment of a court of competent jurisdiction), incur no liability and be held harmless by Parent for or in respect of any action taken, suffered or omitted to be taken by it under the provisions of this Agreement in reliance upon such certificate;

(c) the Rights Agent may engage and consult with counsel of its selection and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection and shall be held harmless by Parent in respect of any action taken, suffered or omitted by it hereunder in the absence of bad faith and in reliance thereon;

(d) the permissive rights of the Rights Agent to do things enumerated in this Agreement shall not be construed as a duty;

(e) the Rights Agent shall not be required to give any note or surety in respect of the execution of such powers or otherwise in respect of the premises;

(f) the Rights Agent shall not be liable for or by reason of, and shall be held harmless by Parent with respect to any of the statements of fact or recitals contained in this Agreement or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by Parent only;

(g) the Rights Agent shall have no liability and shall be held harmless by Parent in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Rights Agent and the enforceability of this Agreement against the Rights Agent assuming the due execution and delivery hereof by Parent); nor shall it be responsible for any breach by Parent of any covenant or condition contained in this Agreement;

(h) Parent agrees to indemnify the Rights Agent for, and hold the Rights Agent harmless from and against, any loss, liability, claim, demands, damage, suits, judgment, fine, penalty or expense (including the reasonable expenses and counsel fees and other disbursements) (each, a "Loss") arising out of or in connection with Rights Agent's duties under this Agreement and the exercise and performance of its duties hereunder, including the reasonable out-of-pocket costs and expenses of defending Rights Agent against any Loss, unless such Loss has been determined by a final, non-appealable judgment of a court of competent jurisdiction to be a result of Rights Agent's gross negligence, bad faith or willful misconduct. The reasonable costs and expenses incurred by the Rights Agent in enforcing this right of indemnification shall be paid by Parent;

(i) Parent agrees (i) to pay the fees and expenses of the Rights Agent in connection with this Agreement as agreed upon in writing by the Rights Agent and Parent on or prior to the date hereof, and (ii) without limiting the foregoing (i), (x) to reimburse the Rights Agent for all Taxes and governmental charges, reasonable documented out-of-pocket expenses and other charges of any kind and nature incurred by the Rights Agent in the execution of this Agreement (other than Taxes imposed on or measured by the Rights Agent's net income and franchise or similar Taxes imposed on it (in lieu of net income Taxes)), and to (y) reimburse the Rights Agent for all reasonable and necessary out-of-pocket expenses (including legal

expenses) paid or incurred by it in connection with the administration by the Rights Agent of its duties hereunder;

(j) no provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it;

(k) notwithstanding anything in this Agreement to the contrary, (i) the Rights Agent shall not be liable for special, punitive, indirect, incidental or consequential loss or damages of any kind whatsoever (including, without limitation, lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damages, and regardless of the form of action, and (ii) any liability of the Rights Agent under this Agreement will be limited to the aggregate amount of fees (but not reimbursed expenses) paid or payable by Parent to the Rights Agent during the twelve (12) months immediately preceding the event for which recovery from the Rights Agent is being sought;

(l) the Rights Agent will not be deemed to have knowledge of any event of which it was supposed to receive notice hereunder but has not received written notice of such event, and the Rights Agent will not incur any liability for failing to take action in connection therewith, in each case, unless and until it has received such notice in writing;

(m) in the event the Rights Agent reasonably believes any ambiguity or uncertainty exists hereunder or in any notice, instruction, direction, request or other communication, paper or document received by the Rights Agent hereunder, the Rights Agent shall, as soon as practicable, provide notice to Parent, and the Rights Agent, may, in its sole discretion, refrain from taking any action, and shall be fully protected and shall not be liable in any way to Parent or any Holder or any other Person for refraining from taking such action, unless the Rights Agent receives written instructions from Parent or such Holder or other Person which eliminate such ambiguity or uncertainty to the reasonable satisfaction of the Rights Agent;

(n) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorney or agents and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorney or agents or for any loss to Parent resulting from any such act, default, neglect or misconduct, absent willful misconduct, bad faith or gross negligence (each as determined by a final non-appealable judgment of a court of competent jurisdiction) in the selection and continued employment thereof;

(o) the Rights Agent may rely on and be fully authorized and protected in acting or failing to act upon (i) any guaranty of signature by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program or other comparable "signature guarantee program" or insurance program in addition to, or in substitution for, the foregoing; or (ii) any law, act, regulation or any interpretation of the same even though such law, act, or regulation may thereafter have been altered, changed, amended or repealed;

(p) the obligations of Parent and the rights of the Rights Agent under this Section 3.2, Section 3.1, and Section 2.4(h) shall survive the expiration of the CERs and the termination of this Agreement and the resignation, replacement or removal of the Rights Agent; and

(q) All funds received by the Rights Agent under this Agreement that are to be distributed or applied by the Rights Agent in the performance of services hereunder (the "**Funds**") shall be held by Computershare as agent for Parent and deposited in one or more bank accounts to be maintained by Computershare in its name as agent for Parent. Until paid pursuant to the terms of this Agreement,

Computershare will hold the Funds through such accounts in: deposit accounts of commercial banks with Tier 1 capital exceeding \$1 billion or with an average rating above investment grade by S&P (LT Local Issuer Credit Rating), Moody's (Long Term Rating) and Fitch Ratings, Inc. (LT Issuer Default Rating) (each as reported by Bloomberg Finance L.P.). The Rights Agent shall have no responsibility or liability for any diminution of the Funds that may result from any deposit made by the Rights Agent in accordance with this paragraph, including any losses resulting from a default by any bank, financial institution or other third party. The Rights Agent may from time to time receive interest, dividends or other earnings in connection with such deposits. The Rights Agent shall not be obligated to pay such interest, dividends or earnings to Parent, any holder or any other party.

3.3 Resignation and Removal: Appointment of Successor.

(a) The Rights Agent may resign at any time by giving written notice thereof to Parent specifying a date when such resignation shall take effect, which notice shall be sent at least sixty (60) days prior to the date so specified, and such resignation will be effective on the earlier of (i) the date so specified and (ii) a successor Rights Agent has been appointed and accepted such appointment in accordance with Section 3.4. Parent has the right to remove the Rights Agent at any time by specifying a date when such removal shall take effect but no such removal shall become effective until a successor Rights Agent has been appointed and accepted such appointment in accordance with Section 3.4. Notice of such removal shall be given by Parent to the Rights Agent, which notice shall be sent at least sixty (60) days prior to the date so specified.

(b) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the stock transfer or other stockholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The purchase of all or substantially all of the Rights Agent's assets employed in the performance of the transfer agent activities shall be deemed a merger or consolidation for purposes of this Section 3.3(b). If the Rights Agent provides notice of its intent to resign, is removed or becomes incapable of acting, Parent shall, as soon as is reasonably practicable, appoint a qualified successor Rights Agent who shall be a stock transfer agent of national reputation or the corporate trust department of a commercial bank. The successor Rights Agent so appointed shall, forthwith upon its acceptance of such appointment in accordance with Section 3.4, become the successor Rights Agent.

(c) Parent shall give notice of each resignation and each removal of a Rights Agent and each appointment of a successor Rights Agent by mailing written notice of such event by first-class mail to the Holders as their names and addresses appear in the CER Register. Each notice shall include the name and address of the successor Rights Agent. If Parent fails to send such notice within ten (10) Business Days after acceptance of appointment by a successor Rights Agent, the successor Rights Agent shall cause the notice to be mailed at the expense of Parent. Failure to give any notice provided for in this Section 3.3, however, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

3.4 Acceptance of Appointment by Successor. Every successor Rights Agent appointed hereunder shall execute, acknowledge and deliver to Parent and to the retiring Rights Agent an instrument accepting such appointment and a counterpart of this Agreement, and thereupon such successor Rights Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Rights Agent. On request of Parent or the successor Rights Agent, the retiring Rights Agent shall execute and deliver an instrument transferring to the successor Rights Agent all the

rights, powers, trusts and duties of the retiring Rights Agent, except such rights which survive its resignation or removal under the terms hereunder.

4. AMENDMENT

4.1 Amendments without Consent of Holders.

(a) Without the consent of any of the Holders, the Rights Agent, Parent and the Operating Partnership at any time and from time to time, may enter into one or more amendments hereto, for any of the following purposes:

- (i) to evidence the succession of another Person as a successor Rights Agent and the assumption by any such successor of the covenants and obligations of the Rights Agent herein;
- (ii) to add to the covenants of Parent or the Operating Partnership such further covenants, restrictions, conditions or provisions as Parent or the Operating Partnership shall consider to be for the protection of the Holders; *provided* that, in each case, such provisions do not adversely affect the interests of the Holders;
- (iii) to cure any ambiguity, to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein or in the Merger Agreement, or to make any other provisions with respect to matters or questions arising under this Agreement; *provided* that, in each case, such provisions do not adversely affect the interests of the Holders;
- (iv) as may be necessary or appropriate to ensure that the CERs are not subject to registration under the Securities Act, the Exchange Act or any applicable state securities or "blue sky" laws and to ensure that the CERs are not subject to any similar registration or prospectus requirement under applicable securities laws outside the United States;
- (v) to evidence the assignment of this Agreement by Parent or the Operating Partnership as provided in Section 6.3; or
- (vi) any other amendments hereto for the purpose of adding, eliminating or changing any provisions of this Agreement, unless such addition, elimination or change is adverse to the interests of the Holders.

(b) Without the consent of any Holder (other than the Holder of interests affected by this Section 4.1(b)), Parent, the Operating Partnership and the Rights Agent, at any time and from time to time, may enter into one or more amendments thereto to reduce the number of CERs, to the extent that any Holder agrees to renounce such Holder's rights under this Agreement in accordance with Section 6.4 or to transfer CERs to Parent or the Operating Partnership pursuant to Section 2.6.

(c) Promptly after the execution by Parent, Operating Partnership, and the Rights Agent of any amendment pursuant to the provisions of this Section 4.1, Parent shall mail (or cause the Rights Agent to mail) a notice thereof by first class mail to the Holders at their addresses as they appear on the CER Register, setting forth such amendment.

4.2 Amendments with Consent of Holders.

(a) Subject to Section 4.1 (which amendments pursuant to Section 4.1 may be made without the consent of any of the Holders), with the written consent of the Acting Holders, Parent, the Operating Partnership and the Rights Agent may enter into one or more amendments hereto for the purpose of adding, eliminating or changing any provisions of this Agreement, even if such addition, elimination or change is materially adverse to the interest of the Holders.

(b) Promptly after the execution by Parent, the Operating Partnership and the Rights Agent of any amendment pursuant to the provisions of this Section 4.2, Parent and the Operating Partnership shall mail (or cause the Rights Agent to mail) a notice thereof by first class mail to the Holders at their addresses as they appear on the CER Register, setting forth such amendment.

4.3 Execution of Amendments. Prior to executing any amendment permitted by this Section 4, the Rights Agent shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel selected by Parent (and at Parent's sole expense) stating that the execution of such amendment is authorized or permitted by this Agreement. The Rights Agent may, but is not obligated to, enter into any such amendment that affects the Rights Agent's own rights, powers, obligations, protections, immunities, trusts or duties under this Agreement or otherwise, and the Rights Agent shall not be bound by amendments not executed by it.

4.4 Effect of Amendments. Upon the execution of any amendment under this Section 4, this Agreement shall be modified in accordance therewith, such amendment shall form a part of this Agreement for all purposes and every Holder shall be bound thereby.

5. **REMEDIES OF THE HOLDERS**

5.1 Event of Default

(a) "Event of Default" with respect to the CERs, means any material default in the performance, or breach in any material respect, of any covenant or warranty of Parent hereunder (other than a default in whose performance or whose breach is elsewhere in this Section 5.1 specifically dealt with), and continuance of such default or breach for a period of thirty (30) days after a written notice specifying such default or breach and requiring it to be remedied is given, which written notice states that it is a "Notice of Default" hereunder and is sent by registered or certified mail to Parent (with a copy to the Rights Agent) by the Acting Holders (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of Law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority).

(b) If an Event of Default described above occurs and is continuing (and has not been cured or waived), then, and in each and every such case, the Acting Holders by notice in writing to Parent and the Rights Agent, may, but is not obligated to, commence an arbitration proceeding to protect the rights of the Holders, including to obtain payment for any amounts then due and payable, pursuant to Section 6.6.

(c) The foregoing provisions of this Section 5.1, however, are subject to the condition that if, at any time after the Acting Holders shall have commenced such arbitration proceeding, and before any award shall have been obtained, Parent shall pay or shall deposit with the Rights Agent a sum sufficient to pay all amounts which shall have become due and such amount as shall be sufficient to cover reasonable compensation to the Rights Agent, its agents, attorneys and counsel, and all Events of Default under this Agreement shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Acting Holders, by written notice to Parent and to the Rights Agent, may waive all defaults that

are the subject of such arbitration proceeding, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default.

5.2 Arbitration Proceedings for Enforcement. If an Event of Default has occurred, has not been waived and is continuing, the Acting Holders may, in their discretion proceed to protect and enforce the rights vested in them by this Agreement by commencing arbitration proceedings pursuant to Section 6.6.

5.3 Arbitration Proceedings Initiated by Holders. Except as set forth in this Section 5.3, no Holders of any CERs shall have any right under this Agreement to commence arbitration proceedings under or with respect to this Agreement, or for the appointment of a Rights Agent, receiver, liquidator, custodian or other similar official, for any other remedy hereunder. The Acting Holders shall have the right under this Agreement to commence arbitration proceedings under or with respect to this Agreement. Notwithstanding any other provision in this Agreement, the right of any Holder of any CER to receive payment of the amounts that a CER Notice indicates are payable in respect of such CER on or after the applicable due date, or to commence arbitration proceedings for the enforcement of any such payment on or after such due date, shall not be impaired or affected without the consent of such Holder.

5.4 Control by Acting Holders. Subject to the last sentence of this Section 5.4, the Acting Holders shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders, or exercising any power conferred on the Holders by this Agreement; *provided* that such direction shall not be otherwise than in accordance with Law and the provisions of this Agreement.

6. OTHER PROVISIONS OF GENERAL APPLICATION

6.1 Notices to the Rights Agent and Parent. Any notice or other communication required or permitted to be delivered to Parent or the Rights Agent under this Agreement shall be in writing and shall be deemed properly delivered, given and received (a) upon receipt when delivered by hand, (b) two (2) Business Days after being sent by registered mail or by courier or express delivery service, (c) if sent by email transmission prior to 6:00 p.m. recipient's local time, upon transmission when transmission is confirmed or (d) if sent by email transmission after 6:00 p.m. recipient's local time and receipt is confirmed, the Business Day following the date of transmission; *provided* that in each case the notice or other communication is sent to the physical address or email address, as applicable, set forth beneath the name of such party below (or to such other physical address or email address as such party shall have specified in a written notice given to the other party):

If to the Rights Agent, to it at:

Computershare Inc.
Computershare Trust Company, N.A.
150 Royall Street
Canton, MA 02021
Attention: Relationship Manager Legal Department

with a copy (which shall not constitute notice) to:

Computershare Inc.
Computershare Trust Company, N.A.
150 Royall Street
Canton, MA 02021
Attention: Legal Department

If to Parent or the Operating Partnership, to Parent at:

Ready Capital Corporation
1251 Avenue of the Americas, 50th Floor
New York, NY 10020
Attention: Andrew Ahlborn
Email: aahlborn@waterfallam.com

with a copy (which shall not constitute notice) to:

Alston & Bird LLP
90 Park Avenue,
New York, NY 10016
Attention: Michael Kessler, David Brown
Email: michael.kessler@alston.com, david.brown@alston.com

The Rights Agent or Parent may specify a different address or email address by giving notice in accordance with this Section 6.1.

6.2 Notice to Holders. Where this Agreement provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the Holder's address as it appears in the CER Register, not later than the latest date, and not earlier than the earliest date, if any, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

6.3 Parent Successors and Assigns. Parent may not assign this Agreement without the consent of the Acting Holders, except Parent may assign (a) in its sole discretion and without the consent of any other Person, any or all of its rights, interests and obligations hereunder to one or more of its Affiliates (each, an "**Assignee**"), provided that the Assignee agrees to assume and be bound by all of the terms and conditions of this Agreement, and *provided, further*, that in connection with any assignment to an Assignee, Parent shall agree to remain liable for the performance by each Assignee of obligations of Parent hereunder, with such Assignee substituted for Parent under this Agreement, and (b) this Agreement in its entirety without the consent of any other Person to its successor in interest in connection with the sale of all or substantially all of its assets or of its stock, or in connection with a merger, acquisition or similar transaction (such successor in interest, the "**Acquiror**"). This Agreement will be binding upon, inure to the benefit of and be enforceable by Parent's successors, Acquiror and each Assignee. Each reference to "**Parent**" in this Agreement shall be deemed to include Parent's successors, Acquiror and all Assignees. Each of Parent's successors, Acquirors and Assignees shall, by a supplemental contingent equity rights agreement or other instrument supplemental hereto, executed and delivered to the Rights Agent, expressly assume payment of amounts on all of the CERs and the performance of every obligation, agreement and covenant of this Agreement on the part of Parent and the Operating Partnership to be performed or observed. The Rights Agent may not assign this Agreement without Parent's written consent. Any attempted assignment of this Agreement or any such rights in violation of this Section 6.3 shall be void and of no effect.

6.4 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall give to any Person (other than the Rights Agent, Parent, Parent's successors and Assignees, the Holders and the Holders' successors and assigns pursuant to a Permitted Transfer, each of whom is intended to be, and is, a third party beneficiary hereunder) any benefit or any legal or equitable right, remedy or claim under this Agreement or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the Rights Agent, Parent, Parent's successors and Assignees, and the Holders. The

Holders of CERs shall have no rights except the contractual rights as are expressly set forth in this Agreement and the Merger Agreement. Notwithstanding anything to the contrary contained herein, any Holder or Holder's successor or assign pursuant to a Permitted Transfer may at any time agree to renounce, in whole or in part, whether or not for consideration, such Holder's rights under this Agreement by written notice to the Rights Agent and Parent, which notice, if given, shall be irrevocable, and Parent may, in its sole discretion, at any time offer consideration to Holders in exchange for their agreement to irrevocably renounce their rights, in whole or in part, hereunder.

6.5 Governing Law. This Agreement, the CERs and all actions arising under or in connection herewith and therewith (whether based in contract, tort, or otherwise) shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

6.6 Arbitration. Any dispute, controversy or claim (including any claim for breach hereof) based upon, relating to or arising out of this Agreement or any transaction contemplated hereby (other than a dispute, controversy or claim asserted against or by the Rights Agent to the extent pertaining to the Rights Agent's rights, immunities, liabilities, duties, responsibilities or obligations hereunder, and other than matters that are the subject of a Dispute Notice, which shall be resolved in the manner described in Section 2.4(b)) shall be resolved by binding arbitration conducted in accordance with the Rules of Arbitration ("Rules") of the International Chamber of Commerce (the "ICC"). The arbitration shall be conducted by a panel of three arbitrators, each of whom shall be independent and a lawyer or retired judge with at least fifteen years' experience in the real estate industry and with mergers and acquisitions. No later than fifteen (15) days after an arbitration proceeding is commenced under this Section 6.6, Parent shall nominate one arbitrator and the Holder (or, if more than one Holder is a party to the arbitration proceeding, all such Holders collectively) shall nominate one arbitrator, and the two so nominated arbitrators shall select the third arbitrator. If the two arbitrators cannot or fail to agree upon the third arbitrator within fifteen (15) days of their confirmation by the ICC, the third arbitrator shall be appointed by the ICC in accordance with the Rules. The arbitration shall be administered by the ICC acting through its International Court of Arbitration. The arbitration shall be conducted in the English language and the seat, or place, of the arbitration shall be the city of New York, New York. Hearings shall be conducted in New York, New York, or at such other location as mutually agreed by Parent and the Holder or Holders that are party to the arbitration proceeding. The arbitration award shall be final, conclusive, binding and non-appealable and shall not be subject to further review by any court. The arbitrator shall have no power to amend or supplement the terms of this Agreement or the Merger Agreement or act *ex aequo et bono*. Judgment upon the award may be entered in any court having jurisdiction thereof. Each party shall bear his, her or its own costs of any such arbitration or investigation in respect of any dispute. Any award payable in favor of the Holders or the Rights Agent as a result of arbitration shall be distributed to the Holders on a pro rata basis, based on the number of CERs held by each Holder. For clarity, the Rights Agent shall not have any duties or obligations to commence any arbitration proceeding pursuant to this Section 6.6.

6.7 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions of this Agreement or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit such term or provision, to delete specific words or phrases or to replace such term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be valid and enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible,

the economic, business and other purposes of such invalid or unenforceable term or provision. Notwithstanding the foregoing, if any illegal, void, unenforceable or replaced provision shall adversely affect the rights, immunities, duties or obligations of the Rights Agent, the Rights Agent shall be entitled to resign immediately upon written notice to Parent.

6.8 Termination. This Agreement shall be terminated and of no force or effect, the parties hereto shall have no liability hereunder (other than with respect to monies due and owing by Parent to Rights Agent), and no payments shall be required to be made, upon the earlier to occur of (a) the date that is six (6) months after the date of the CER Notice, (b) the date on which it is finally determined that the Valuation Excess is less than or equal to \$0, and (c) the date on which all CER Consideration is delivered to Holders in accordance with this Agreement. Notwithstanding the foregoing, no such termination shall affect any rights or obligations accrued prior to the effective date of such termination or Sections 2.4(h), 3.1, 3.2, 5.1, 5.2, 5.3, 5.4, 6.4, 6.5, 6.6, 6.7, 6.9 or this Section 6.8, which shall survive the termination of this Agreement, or the resignation, replacement or removal of the Rights Agent.

6.9 Amendment and Restatement; Entire Agreement; Counterparts. Parent, the Operating Partnership and the Rights Agent desire to enter into this Agreement in order to amend and restate the Existing Agreement in its entirety. The amendment and restatement of the Existing Agreement shall become effective on the date hereof, and each of Parent, the Operating Partnership, the Rights Agent and the Holders shall hereafter be bound by the terms and conditions of this Agreement. This Agreement amends and restates the terms and conditions of the Existing Agreement and is not a novation of any of the agreements or obligations incurred by the Parent and Operating Partnership pursuant to the terms of the Existing Agreement. Accordingly, all of the agreements and obligations incurred by the Parent and Operating Partnership pursuant to the terms of the Existing Agreement remain in full force and effect. As among the Holders, the Parent and Operating Partnership, this Agreement, the Merger Agreement (including its Exhibits and Schedules, including Disclosure Schedules) and the other Ancillary Documents constitute the entire agreement and supersede all contemporaneous and prior agreements and understandings, both written and oral, among or between any of the parties hereto, with respect to the subject matter hereof and thereof (including the Existing Agreement, but excluding the Assignment, which shall survive execution of this Agreement). As it relates to the Rights Agent, this Agreement constitutes the entire agreement and supersedes all contemporaneous and prior agreements and understandings, both written and oral, among or between any of the parties hereto, with respect to the subject matter hereof and thereof (including the Existing Agreement, but excluding the Assignment, which shall survive execution of this Agreement). This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise) by PDF shall be sufficient to bind the parties hereto to the terms and conditions of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its duly authorized officers as of the day and year first above written.

READY CAPITAL CORPORATION

By: /s/ Thomas E. Capasse

Name: Thomas E. Capasse

Title: Chairman of the Board and Chief
Executive Officer

SUTHERLAND PARTNERS, L.P.

Ready Capital Corporation, its General
By: Partner

By: /s/ Thomas E. Capasse

Name: Thomas E. Capasse

Title: Chairman of the Board and Chief
Executive Officer

[Signature Page to Contingent Equity Rights Agreement]

COMPUTERSHARE INC. and
COMPUTERSHARE TRUST COMPANY, N.A.,
jointly as Rights Agent

By: /s/ Collin Ekeogu
Name: Collin Ekeogu
Title: Manager, Corporate Actions

[Signature Page to Contingent Equity Rights Agreement]

EXHIBIT A
Covered Portfolio

Subject Company Loans and Investments

CER Portfolio as of 9/30/2021

Deal	Whole Loan Balance	A-note Funded	Co-Invest Funded	Subject Company Funded
Timbers Kauai	17,980,413	8,990,207	7,132,697	1,857,509
Vintage Oaks	30,050,000			30,050,000
Superblock	34,510,000			34,510,000
Metro Air	16,699,043		4,185,224	12,513,819
RREAF III	8,714,679			8,714,679
Hyatt Centric	43,000,280		23,600,000	19,400,280
Park DTLA	25,376,222			25,376,222
Cambria	35,309,146		17,653,893	17,655,253
Silver Rock	35,998,544		18,000,000	17,998,544
RREAF IV	10,629,829			10,629,829
Aetna Springs	28,257,597			28,257,597
Southlake	10,800,000			10,800,000
Marbach	6,149,686			6,149,686
Hawk Ridge	3,403,876			3,403,876
Hyatt House	23,533,160			23,533,160
Silo Ridge	42,564,737			42,564,737
Pendry	123,196,757	42,327,896	70,866,841	10,002,020
Duo	43,824,663	21,924,663	13,450,000	8,450,000
Retreat	21,540,000		12,859,234	8,680,766
Ashley	4,170,000			4,170,000
Block 216	65,279,132			65,279,132
Churchill Tower	52,587,216	38,916,251		13,670,965
1111 Sunset	27,050,000	13,525,000		13,525,000
Uncommons	71,114,466			71,114,466
Merced	51,847,233	31,222,233		20,625,000
Gardenhouse	36,842,520	24,842,520		12,000,000
Vista Lake	26,743,313			26,743,313
Sovereign	8,470,938		2,625,000	5,845,938
RREAF Sunbelt	108,422,898	60,000,000		48,422,898
	1,014,066,347	241,748,770	170,372,888	601,944,690

EXHIBIT B
Form of CER Notice

Computershare Trust Company, N.A.
150 Royall Street
Canton, MA 02021
Attn: Relationship Manager Legal Department

Re: CER Notice

Reference is made to the Amended and Restated Contingent Equity Rights Agreement, dated as of March 23, 2023 (the "**CER Agreement**") between Ready Capital Corporation ("**Parent**"), Sutherland Partners, L.P. (the "**Operating Partnership**"), and Computershare Trust Company, N.A. (the "**Rights Agent**"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the CER Agreement.

As set forth in Exhibit A hereto, and in accordance with Section 2.4(a) of the CER Agreement, Parent has calculated the Valuation Excess to be \$[●], the Aggregate CER Consideration to be \$[●], the Parent Share Value to be \$[●], the MREC CER Payment Ratio to be [●], the MREC TE CER Payment Ratio to be [●] and the MREC IIS CER Payment Ratio to be [●]. This notice constitutes the written notice required by Section 2.4(b) of the CER Agreement.

Very truly yours,

READY CAPITAL CORPORATION

By: _____
Name: Andrew Ahlborn
Title: Chief Financial Officer

EXHIBIT A

Valuation Excess:

\$[•]

Parent Share Value:

\$[•]

CER Consideration:

MREC CER Payment Ratio:

[•]

MREC TE CER Payment Ratio:

[•]

MREC IIS CER Payment Ratio:

[•]

EXHIBIT C

Form of CER Certificate

THE CERS ARE NOT ASSIGNABLE OR OTHERWISE TRANSFERABLE EXCEPT UPON THE CIRCUMSTANCES SET FORTH IN, AND SUBJECT TO THE TERMS OF, THE CER AGREEMENT (AS DEFINED BELOW).

Rights Certificate

READY CAPITAL CORPORATION
SUTHERLAND PARTNERS, L.P.

This certifies that _____, or registered assigns, is the registered holder of the number of [MREC][MREC TE][MREC IIS] CERs set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Contingent Equity Rights Agreement, effective as of March 16, 2022 (as amended from time to time, the "CER Agreement"), among Ready Capital Corporation, a Maryland corporation ("Parent"), Sutherland Partners, L.P., a Delaware limited partnership (the "Operating Partnership"), and American Stock Transfer & Trust Company, LLC as rights agent (the "Rights Agent," which term shall include any successor rights agent under the CER Agreement), to receive the CER Consideration, subject to, on the terms provided in, and in accordance with, the CER Agreement, upon presentation and surrender of this Rights Certificate at the principal office of the Rights Agent.

This Rights Certificate is subject to all of the terms, provisions and conditions of the CER Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which CER Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, Parent, the Operating Partnership and the holders of the CER Certificates. Copies of the CER Agreement are on file at the principal office of Parent and are available without cost upon written request. Capitalized terms used in this Rights Certificate and not otherwise defined herein shall have the meanings ascribed to such terms in the CER Agreement.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor evidencing an aggregate number of CERs equal to the aggregate number of CERs evidenced by the Rights Certificate or Rights Certificates surrendered.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of Parent and the Operating Partnership.

Date: _____

ATTEST:

READY CAPITAL CORPORATION

Secretary

By: _____
Authorized Officer

ATTEST:

SUTHERLAND PARTNERS. L.P.

By: Ready Capital Corporation,
Its General Partner

Secretary

By: _____
Authorized Officer

Countersigned:

[RIGHTS AGENT]

By: _____
Authorized Officer

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer this Rights Certificate.)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto

(Please print name and address of transferee)
this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ attorney-in-fact, to transfer the within Rights Certificate on the books of the within-named company, with full power of substitution.

Dated: _____, _____.

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934.

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, 2023;
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 9, 2023

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, 2023;
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 9, 2023

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

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 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, 2023 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 9, 2023

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, 2023 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 9, 2023

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