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Exantas Capital Corp.
Form 10-Q
August 08, 2018

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 1-32733

EXANTAS CAPITAL CORP.

(Exact name of registrant as specified in its charter)

Maryland 20-2287134

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

717 Fifth Avenue, New York, New York 10022

(Address of principal executive offices) (Zip Code)

(212) 621-3210

(Registrant's telephone number, including area code)

Resource Capital Corp.

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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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

The number of outstanding shares of the registrant's common stock on August 3, 2018 was 31,657,420 shares.

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT
ON FORM 10-Q

	PAGE
PART I	
Item 1: Financial Statements	
Consolidated Balance Sheets - June 30, 2018 (unaudited) and December 31, 2017	3
Consolidated Statements of Operations (unaudited) Three and Six Months Ended June 30, 2018 and 2017	5
Consolidated Statements of Comprehensive Income (Loss) (unaudited) Three and Six Months Ended June 30, 2018 and 2017	7
Consolidated Statement of Changes in Stockholders' Equity (unaudited) Six Months Ended June 30, 2018	8
Consolidated Statements of Cash Flows (unaudited) Six Months Ended June 30, 2018 and 2017	9
Notes to Consolidated Financial Statements - June 30, 2018 (unaudited)	11
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	51
Item 3: Quantitative and Qualitative Disclosures About Market Risk	91
Item 4: Controls and Procedures	92
PART II	
Item 1: Legal Proceedings	93
Item 1A: Risk Factors	95
Item 6: Exhibits	95
SIGNATURES	98

[\(Back to Index\)](#)

[\(Back to Index\)](#)

PART I

ITEM 1. FINANCIAL STATEMENTS

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS ⁽¹⁾		
Cash and cash equivalents	\$80,191	\$ 181,490
Restricted cash	10,070	22,874
Accrued interest receivable	7,157	6,859
CRE loans, net of allowances of \$4,529 and \$5,328	1,446,018	1,284,822
Investment securities available-for-sale	318,424	211,737
Investment securities, trading	—	178
Loans held for sale	—	13
Principal paydowns receivable	—	76,129
Investments in unconsolidated entities	1,782	12,051
Derivatives, at fair value	2,273	602
Direct financing leases, net of allowances of \$735	66	151
Other assets	5,225	7,451
Assets held for sale (amounts include \$18,000 and \$61,841 of legacy CRE loans held for sale in continuing operations, see Note 21)	20,956	107,718
Total assets	\$1,892,162	\$ 1,912,075
LIABILITIES ⁽²⁾		
Accounts payable and other liabilities	\$3,335	\$ 5,153
Management fee payable	938	1,035
Accrued interest payable	4,736	4,387
Borrowings	1,319,646	1,163,485
Distributions payable	4,891	5,581
Preferred stock redemption liability	—	50,000
Derivatives, at fair value	67	76
Accrued tax liability	241	540
Liabilities held for sale (see Note 21)	2,421	10,342
Total liabilities	1,336,275	1,240,599
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.25% Series B Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 0 and 4,613,596 shares issued and outstanding	—	5
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,800,000 and 4,800,000 shares issued and outstanding	5	5
Common stock, par value \$0.001: 125,000,000 shares authorized; 31,657,420 and 31,429,892 shares issued and outstanding (including 427,591 and 483,073 unvested restricted shares)	32	31
Additional paid-in capital	1,081,586	1,187,911
Accumulated other comprehensive income	3,216	1,297
Distributions in excess of earnings	(528,952)	(517,773)
Total stockholders' equity	555,887	671,476

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,892,162	\$1,912,075
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The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

3

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS - (Continued)
 (in thousands, except share and per share data)

	June 30, 2018 (unaudited)	December 31, 2017
(1) Assets of consolidated variable interest entities ("VIEs") included in total assets above:		
Restricted cash	\$9,245	\$ 20,846
Accrued interest receivable	2,738	3,347
CRE loans, pledged as collateral and net of allowances of \$1,480 and \$1,330	1,012,900	603,110
Loans held for sale	—	13
Principal paydowns receivable	—	72,207
Other assets	276	73
Total assets of consolidated VIEs	\$1,025,159	\$ 699,596
(2) Liabilities of consolidated VIEs included in total liabilities above:		
Accounts payable and other liabilities	\$119	\$ 96
Accrued interest payable	485	592
Borrowings	632,004	416,655
Total liabilities of consolidated VIEs	\$632,608	\$ 417,343

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

[\(Back to Index\)](#)EXANTAS CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
REVENUES				
Interest income:				
CRE loans	\$25,435	\$21,841	\$47,818	\$43,374
Securities	4,205	1,329	7,661	3,637
Other	20	465	138	2,095
Total interest income	29,660	23,635	55,617	49,106
Interest expense	16,159	14,347	30,543	28,601
Net interest income	13,501	9,288	25,074	20,505
Other revenue	152	964	57	1,892
Total revenues	13,653	10,252	25,131	22,397
OPERATING EXPENSES				
Management fees	2,812	2,638	5,625	5,318
Equity compensation	659	734	1,626	1,522
General and administrative	2,547	3,580	5,607	7,443
Depreciation and amortization	19	32	32	100
Impairment losses	—	—	—	177
Provision for (recovery of) loan and lease losses, net	—	131	(799)	1,130
Total operating expenses	6,037	7,115	12,091	15,690
	7,616	3,137	13,040	6,707
OTHER INCOME (EXPENSE)				
Equity in earnings (losses) of unconsolidated entities	69	(118)	(223)	243
Net realized and unrealized gain on investment securities available-for-sale and loans and derivatives	932	9,478	290	17,084
Net realized and unrealized gain (loss) on investment securities, trading	58	(50)	53	(961)
Fair value adjustments on financial assets held for sale	9	79	(4,656)	58
Other income	506	17	517	85
Total other income (expense)	1,574	9,406	(4,019)	16,509
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES				
Income tax (expense) benefit	(1)	25	31	(1,474)
NET INCOME FROM CONTINUING OPERATIONS	9,189	12,568	9,052	21,742
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(450)	(4,184)	(203)	(4,745)
NET INCOME	8,739	8,384	8,849	16,997
Net income allocated to preferred shares	(2,587)	(6,015)	(7,797)	(12,029)
Consideration paid in excess of carrying value of preferred shares	—	—	(7,482)	—
Net loss allocable to non-controlling interest, net of taxes	—	95	—	196
NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES	\$6,152	\$2,464	\$(6,430)	\$5,164

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

5

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)
 (in thousands, except share and per share data)
 (unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
NET INCOME (LOSS) PER COMMON SHARE - BASIC:				
CONTINUING OPERATIONS	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
DISCONTINUED OPERATIONS	\$(0.01)	\$(0.14)	\$(0.01)	\$(0.15)
TOTAL NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
NET INCOME (LOSS) PER COMMON SHARE - DILUTED:				
CONTINUING OPERATIONS	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
DISCONTINUED OPERATIONS	\$(0.01)	\$(0.14)	\$(0.01)	\$(0.15)
TOTAL NET INCOME (LOSS) PER COMMON SHARE - DILUTED	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	31,215,598	30,820,442	31,163,830	30,786,527
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	31,402,010	30,020,926	31,163,830	30,967,840

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

6

[\(Back to Index\)](#)EXANTAS CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$8,739	\$8,384	\$8,849	\$16,997
Other comprehensive income (loss):				
Reclassification adjustments for realized (income) losses on investment securities available-for-sale included in net income	—	(1,179)	217	(1,179)
Unrealized gains (losses) on investment securities available-for-sale, net	1,607	(1,628)	98	(1,494)
Reclassification adjustments associated with unrealized losses from interest rate hedges included in net income	—	75	—	93
Unrealized gains on derivatives, net	455	—	1,604	—
Total other comprehensive (loss) income	2,062	(2,732)	1,919	(2,580)
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	10,801	5,652	10,768	14,417
Net income allocated to preferred shares	(2,587)	(6,015)	(7,797)	(12,029)
Consideration paid in excess of carrying value of preferred shares	—	—	(7,482)	—
Net loss allocable to non-controlling interest	—	95	—	196
Comprehensive income (loss) allocable to common shares	\$8,214	\$(268)	\$(4,511)	\$2,584

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

7

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(in thousands, except share data)

(unaudited)

	Common Stock Shares	Common Stock Amount	Series B Preferred Stock	Series C Preferred Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders' Equity
Balance, January 1, 2018	31,429,892	\$ 31	\$ 5	\$ 5	\$ 1,187,911	\$ 1,297	\$ —	\$(517,773)	\$ 671,476
Stock-based compensation	236,387	1	—	—	—	—	—	—	1
Amortization of stock-based compensation	—	—	—	—	1,626	—	—	—	1,626
Retirement of common stock	(7,134)	—	—	—	(70)	—	—	—	(70)
Forfeiture of unvested stock	(1,725)	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	8,849	—	8,849
Distributions on preferred stock	—	—	—	—	—	—	(7,797)	—	(7,797)
Preferred stock redemption Securities	—	—	(5)	—	(107,881)	—	(7,482)	—	(115,368)
available-for-sale, fair value adjustment, net	—	—	—	—	—	315	—	—	315
Designated derivatives, fair value adjustment	—	—	—	—	—	1,604	—	—	1,604
Distributions on common stock	—	—	—	—	—	—	6,430	(11,179)	(4,749)
Balance, June 30, 2018	31,657,420	\$ 32	\$ —	\$ 5	\$ 1,081,586	\$ 3,216	\$ —	\$(528,952)	\$ 555,887

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

[\(Back to Index\)](#)EXANTAS CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$8,849	\$16,997
Net loss from discontinued operations, net of tax	203	4,745
Net income from continuing operations	9,052	21,742
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operating activities:		
(Recovery of) provision for loan and lease losses, net	(799)	1,130
Depreciation, amortization and accretion	980	671
Amortization of stock-based compensation	1,626	1,522
Sale of and principal payments on syndicated corporate loans held for sale	60	1,076
Sale of and principal payments on investment securities, trading, net	241	4,493
Net realized and unrealized (gain) loss on investment securities, trading	(53)	961
Net realized and unrealized gain on investment securities available-for-sale and loans and derivatives	(290)	(17,084)
Fair value adjustments on financial assets held for sale	4,656	(58)
Impairment losses	—	177
Equity in losses (earnings) of unconsolidated entities	223	(243)
Return on investment from investments in unconsolidated entities	—	6,292
Changes in operating assets and liabilities	6,035	(590)
Net cash provided by continuing operating activities	21,731	20,089
Net cash provided by discontinued operating activities	621	20,531
Net cash provided by operating activities	22,352	40,620
CASH FLOWS FROM INVESTING ACTIVITIES:		
Origination and purchase of loans	(331,473)	(207,672)
Principal payments received on loans and leases	277,275	267,714
Proceeds from sale of loans	12,000	—
Purchase of investment securities available-for-sale	(113,855)	(14,598)
Principal payments on investment securities available-for-sale	8,715	17,659
Proceeds from sale of investment securities available-for-sale	48	13,588
Return of capital from investments in unconsolidated entities	10,172	7,911
Proceeds from the sale of an investment in an unconsolidated entity	—	16,159
Settlement of derivative instruments	(46)	(696)
Net cash (used in) provided by continuing investing activities	(137,164)	100,065
Net cash provided by discontinued investing activities	27,557	2,621
Net cash (used in) provided by investing activities	(109,607)	102,686
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuances of common stock and dividend reinvestment and stock purchase plan (net of offering costs of \$0 and \$31)	—	(31)

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Repurchase of common stock	—	(82)
Retirement of common stock	(69)	—
Repurchase of preferred stock	(165,340)	—
Net (repayments of) proceeds from repurchase agreements	(60,522)	50,449
Proceeds from borrowings:		
Securitized	397,452	—
Payments on borrowings:		
Securitized	(177,762)	(177,817)
Payment of debt issuance costs	(7,371)	(3)
Distributions paid on preferred stock	(10,082)	(12,029)
Distributions paid on common stock	(3,154)	(3,118)

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

9

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(in thousands)
(unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Net cash used in continuing financing activities	(26,848)	(142,631)
Net cash used in discontinued financing activities	—	(16,081)
Net cash used in financing activities	(26,848)	(158,712)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(114,103)	(15,406)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	204,364	119,425
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$90,261	\$104,019
SUPPLEMENTAL DISCLOSURE:		
Interest expense paid in cash	\$25,867	\$25,139
Income taxes paid in cash	\$—	\$515

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(unaudited)

NOTE 1 - ORGANIZATION

Exantas Capital Corp., a Maryland corporation, and its subsidiaries (collectively, the "Company") (formerly known as Resource Capital Corp.) is a real estate investment trust ("REIT") that is primarily focused on originating, holding and managing commercial mortgage loans and commercial real estate-related debt investments. The Company is externally managed by Exantas Capital Manager Inc. (the "Manager") (formerly known as Resource Capital Manager, Inc.), which is an indirect wholly-owned subsidiary of C-III Capital Partners LLC ("C-III"), a leading commercial real estate ("CRE") investment management and services company engaged in a broad range of activities. C-III is the beneficial owner of approximately 2.4% of the Company's outstanding common shares at June 30, 2018.

The Company has qualified, and expects to qualify in the current fiscal year, as a REIT.

In November 2016, the Company received approval from its board of directors (the "Board") to execute a strategic plan (the "Plan") to focus its strategy on CRE debt investments. The Plan contemplates disposing of certain loans underwritten prior to 2010 ("legacy CRE loans"), exiting underperforming non-core asset classes (residential real estate-related assets and commercial finance assets) and establishing a dividend policy based on sustainable earnings. As a result, the Company evaluated its residential mortgage and middle market lending segments' assets and liabilities and determined both met all of the criteria to be classified as held for sale in the fourth quarter of 2016. As a result of the reclassification, these segments are reported as discontinued operations and have been excluded from continuing operations. See Note 21 for further discussion.

The following subsidiaries are consolidated in the Company's financial statements:

RCC Real Estate, Inc. ("RCC Real Estate"), a wholly-owned subsidiary, holds CRE loans, CRE-related securities and historically has held direct investments in real estate. RCC Real Estate owns 100.0% of the equity of the following VIEs:

Resource Capital Corp. 2014-CRE2, Ltd. ("RCC 2014-CRE2") and Resource Capital Corp. 2015-CRE4, Ltd. ("RCC 2015-CRE4") were established to complete CRE securitization issuances secured by a portfolio of CRE loans. In August 2017 and July 2018, RCC 2014-CRE2 and RCC 2015-CRE4, respectively, were liquidated and, as a result, the remaining assets were returned to the Company in exchange for the Company's preference shares and equity notes in the securitizations.

Resource Capital Corp. 2015-CRE3, Ltd. ("RCC 2015-CRE3"), Resource Capital Corp. 2017-CRE5, Ltd. ("RCC 2017-CRE5") and Exantas Capital Corp. 2018-RSO6, Ltd. ("XAN 2018-RSO6") were each established to complete CRE securitization issuances secured by a separate portfolio of loans.

RCC Commercial, Inc. ("RCC Commercial"), a wholly-owned subsidiary, holds a 29.6% investment in NEW NP, LLC ("New NP, LLC"), which held one directly originated middle market loan at June 30, 2018 and historically held syndicated corporate loan investments. In July 2018 substantially all of the assets of the borrower for New NP, LLC's remaining loan were sold, resulting in repayment of the loan. New NP, LLC is reported in discontinued operations, see Note 21 for further discussion. RCC Commercial also owns 100.0% of Apidos CDO III, Ltd. ("Apidos CDO III"). Apidos CDO III, a taxable REIT subsidiary ("TRS"), was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of syndicated corporate loans and asset-backed securities ("ABS"). In June 2015, the Company liquidated Apidos CDO III and, as a result, substantially all of the assets were sold.

RCC Commercial II, Inc. ("Commercial II"), a wholly-owned subsidiary, historically invested in structured notes and subordinated notes of foreign, syndicated corporate loan collateralized loan obligation ("CLO") vehicles. Commercial II also owns equity in the following VIEs:

Commercial II owns 100.0% of the equity of Apidos Cinco CDO ("Apidos Cinco"), a TRS that was established to complete a CDO issuance secured by a portfolio of syndicated corporate loans, ABS and corporate bonds. In November 2016, the Company liquidated and sold substantially all of Apidos Cinco's assets. The remaining assets

were consolidated by the Company upon liquidation and are marked at fair value.

[\(Back to Index\)](#)

11

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

Commercial II owns 68.3% of the equity of Whitney CLO I, Ltd., a TRS that holds residual assets following a September 2013 liquidation.

RCC Commercial III, Inc. ("Commercial III"), a wholly-owned subsidiary, historically held investments in syndicated corporate loan investments. Commercial III owns 90.0% of the equity of Apidos CDO I, LTD. ("Apidos CDO I").

Apidos CDO I, a TRS, was established to complete a CDO issuance secured by a portfolio of syndicated corporate loans and ABS. In October 2014, the Company liquidated Apidos CDO I and as a result substantially all of the assets were sold.

RSO EquityCo, LLC, a wholly-owned subsidiary, owns 10.0% of the equity of Apidos CDO I.

RCC Residential Portfolio, Inc. ("RCC Resi Portfolio"), a wholly-owned subsidiary, historically invested in residential mortgage-backed securities ("RMBS").

RCC Residential Portfolio TRS, Inc. ("RCC Resi TRS"), a wholly-owned TRS, was formed to hold strategic residential mortgage positions that could not be held by RCC Resi Portfolio. RCC Resi TRS also owns 100.0% of the equity, unless otherwise stated, in the following:

Primary Capital Mortgage, LLC ("PCM") (formerly known as Primary Capital Advisors, LLC), originated and serviced residential mortgage loans. In November 2016, PCM's operations were reclassified to discontinued operations. PCM sold its residential mortgage loan pipeline, its mortgage servicing rights and its remaining loans held for sale. See Note 21 for further discussion.

RCM Global Manager, LLC ("RCM Global Manager") owns 63.8% of RCM Global LLC ("RCM Global"). RCM Global, accounted for as an equity method investment, held a portfolio of investment securities available-for-sale.

Long Term Care Conversion Funding, LLC ("LTCC Funding") provided a financing facility to fund the acquisition of life settlement contracts.

Life Care Funding, LLC ("LCF") was established for the purpose of acquiring life settlement contracts. In July 2017, the Company purchased the balance of the outstanding membership interests of LCF, thereby becoming a single member LLC. In 2018, the remaining life settlement contracts matured or were sold.

RCC TRS, LLC ("RCC TRS") holds investments in direct financing leases and investment securities, trading. RCC TRS also owns equity in the following:

RCC TRS owns 100.0% of the equity of Resource TRS, LLC, which in turn holds a 25.8% investment in New NP, LLC, which is reported in discontinued operations.

RCC TRS owns 44.6% of the equity in New NP, LLC, which is reported in discontinued operations.

RCC TRS owns 80.2% of the equity in Pelium Capital Partners, L.P. ("Pelium Capital"). Pelium Capital, accounted for as an equity method investment, held investment securities, trading.

Resource Capital Asset Management, LLC ("RCAM") was entitled to collect senior, subordinated and incentive fees related to CLO issuers to which it provided management services through CVC Credit Partners, LLC ("CVC Credit Partners"), formerly Apidos Capital Management ("ACM"), a subsidiary of CVC Capital Partners SICAV-FIS, S.A. C-III sold its 24.0% interest in CVC Credit Partners in August 2017.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the accounting policies set forth in Note 2 included in the Company's annual report on Form 10-K for the year ended December 31, 2017. The consolidated financial statements include the accounts of the Company, majority-owned or controlled subsidiaries and VIEs for which the Company is considered the primary beneficiary. All inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation

All adjustments necessary to present fairly the Company's financial position, results of operations and cash flows have been made.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. At June 30, 2018 and December 31, 2017, approximately \$77.4 million and \$177.5 million, respectively, of the reported cash balances exceeded the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation deposit insurance limits of \$250,000 per respective depository or brokerage institution. However, all of the Company's cash deposits are held at multiple, established financial institutions to minimize credit risk exposure.

Restricted cash includes required account balance minimums primarily for the Company's CRE CDO securitizations and cash held in the syndicated corporate loan CDOs.

The following table provides a reconciliation of cash, cash equivalents and restricted cash on the consolidated balance sheets to the total amount shown on the consolidated statements of cash flows (dollars in thousands):

	June 30,	
	2018	2017
Cash and cash equivalents	\$80,191	\$102,733
Restricted cash	10,070	1,286
Total cash, cash equivalents and restricted cash shown on the Company's consolidated statements of cash flows	\$90,261	\$104,019

Preferred Equity Investment

Preferred equity investments, which are subordinate to any loans but senior to common equity, depending on the investment's characteristics, may be accounted for as real estate, joint ventures or as mortgage loans. The Company's preferred equity investment is accounted for as a CRE loan held for investment, is carried at cost, net of unamortized loan fees and origination costs, and is included within CRE loans on the Company's consolidated balance sheets. The Company accretes or amortizes any discounts or premiums over the life of the related loan utilizing the effective interest method. Interest and fees are recognized as income subject to recoverability, which is substantiated by obtaining annual appraisals on the underlying property.

Discontinued Operations

The results of operations of a component or a group of components of the Company that either has been disposed of or is classified as held for sale is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results.

Income Taxes

The Company established a full valuation allowance against its net deferred tax assets of approximately \$10.4 million at June 30, 2018 as the Company believes it is more likely than not that the deferred tax assets will not be realized.

This assessment was based on the Company's cumulative historical losses and uncertainties as to the amount of

taxable income that would be generated in future years by the Company's TRSs.

[\(Back to Index\)](#)

13

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2018
(unaudited)

Recent Accounting Standards

Accounting Standards Adopted in 2018

In May 2017, the Financial Accounting Standards Board ("FASB") issued guidance to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Modification accounting should be applied unless all of the following three criteria are met: (i) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. Adoption did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities (a "set") is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the guidance requires that: (i) to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output and (ii) remove the evaluation of whether a market participant could replace missing elements. The guidance also narrows the definition of an output to: the result of inputs and processes applied to those inputs that provide goods or services to customers, investment income (such as dividends or interest), or other revenues. Adoption did not have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued guidance to reduce the diversity in practice of the classification and presentation of changes in restricted cash on the statement of cash flows. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Adoption did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued guidance to reduce the diversity in practice around the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The guidance addresses the following eight specific cash flow issues: (i) debt prepayments or extinguishment costs; (ii) contingent consideration payments made after a business combination; (iii) proceeds from the settlement of insurance claims; (iv) proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); (v) settlement of zero-coupon debt instruments or other debt instruments with insignificant coupon rates; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle. Adoption did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued guidance to address certain aspects of the recognition, measurement, presentation and disclosure of financial instruments in order to provide users of financial statements with more decision-useful information. The guidance requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the

liability at fair value in accordance with the fair value option for financial instruments; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the accompanying notes to the financial statements, and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. Adoption did not have a material impact on the Company's consolidated financial statements.

[\(Back to Index\)](#)

14

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2018
(unaudited)

In May 2014, the FASB issued guidance that establishes key principles by which an entity determines the amount and timing of revenue recognized from customer contracts. At issuance, the guidance was effective for the first interim or annual period beginning after December 15, 2016. In August 2015, the FASB issued additional guidance that delayed the previous effective date by one year, resulting in the original guidance becoming effective for the first interim or annual period beginning after December 15, 2017. In 2016, the FASB issued multiple amendments to the accounting standard to provide further clarification. Exclusions from the scope of this guidance include revenues resulting from loans, investment securities available-for-sale, investment securities, trading, investments in unconsolidated entities and leases. The Company evaluated the applicability of this guidance, considering the scope exceptions, and determined that adoption did not have a material impact on its consolidated financial statements.

Accounting Standards to be Adopted in Future Periods

In June 2018, the FASB issued guidance to simplify the accounting for share-based payment transactions for acquiring goods and services from nonemployees by including these payments in the scope of the guidance for share-based payments to employees. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In February 2018, the FASB issued guidance to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In August 2017, the FASB issued guidance to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities. Additionally, the guidance simplifies the application of the hedge accounting guidance via certain targeted improvements. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In January 2017, the FASB issued guidance to add the Securities and Exchange Commission ("SEC") Staff Announcement "Disclosure of the Impact that Recently Issued Accounting Standards will have on the Financial Statements of a Registrant when such Standards are Adopted in a Future Period (in accordance with Staff Accounting Bulletin Topic 11.M)." The announcement applies to the May 2014 guidance on revenue recognition from contracts with customers, the February 2016 guidance on leases and the June 2016 guidance on how credit losses for most financial assets and certain other instruments that are measured at fair value through net income are determined. The announcement provides the SEC staff view that a registrant should evaluate certain recent accounting standards that have not yet been adopted to determine appropriate financial statement disclosures about the potential material effects of those recent accounting standards. If a registrant does not know or cannot reasonably estimate the impact that adoption of the recent accounting standards referenced in this announcement is expected to have on the financial statements, then the registrant should make a statement to that effect and consider the additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the recent accounting standards will have on the financial statements of the registrant when adopted. The Company completed its assessment under the new guidance on revenue recognition from contracts with customers, see "Account Standards Adopted in 2018." The Company is currently evaluating the impact of this guidance on leases and the measurement of credit losses on financial instruments and its impact on its consolidated financial statements.

In June 2016, the FASB issued guidance which will change how credit losses for most financial assets and certain other instruments that are measured at fair value through net income are determined. The new guidance will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost. For available-for-sale debt securities, the guidance requires recording allowances rather than reducing the carrying

amount, as it is currently under the other-than-temporary impairment model. It also simplifies the accounting model for credit-impaired debt securities and loans. This guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within that reporting period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is in the process of evaluating the impact of this new guidance.

[\(Back to Index\)](#)

15

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2018
(unaudited)

In February 2016, the FASB issued guidance requiring lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting will remain largely unchanged. The guidance will also require new qualitative and quantitative disclosures to help financial statement users better understand the timing, amount and uncertainty of cash flows arising from leases. This guidance will be effective for reporting periods beginning on or after December 15, 2018, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 presentation.

NOTE 3 - VARIABLE INTEREST ENTITIES

The Company has evaluated its securities, loans, investments in unconsolidated entities, liabilities to subsidiary trusts issuing preferred securities (consisting of unsecured junior subordinated notes), securitizations, guarantees and other financial contracts in order to determine if they are variable interests in VIEs. The Company regularly monitors these legal interests and contracts and, to the extent it has determined that it has a variable interest, analyzes the related entity for potential consolidation.

Consolidated VIEs (the Company is the primary beneficiary)

Based on management's analysis, the Company is the primary beneficiary of eight and seven VIEs at June 30, 2018 and December 31, 2017, respectively (collectively, the "Consolidated VIEs").

The Consolidated VIEs were formed on behalf of the Company to invest in real estate-related securities, commercial mortgage-backed securities ("CMBS"), syndicated corporate loans, corporate bonds and ABS and were financed by the issuance of debt securities. The Manager and C-III Asset Management LLC ("C3AM"), a subsidiary of C-III, manage the CRE-related entities, and CVC Credit Partners manages the commercial finance-related entities on behalf of the Company. By financing these assets with long-term borrowings through the issuance of debt securities, the Company seeks to generate attractive risk-adjusted equity returns and to match the term of its assets and liabilities. The primary beneficiary determination for each of these VIEs was made at each VIE's inception and is continually assessed.

For a discussion of the Company's consolidated securitizations see Note 1, and for a discussion of the debt issued through the securitizations see Note 10.

The Company has exposure to losses on its securitizations to the extent of its investments in the subordinated debt and preferred equity of each securitization. The Company is entitled to receive payments of principal and interest on the debt securities it holds and, to the extent revenues exceed debt service requirements and other expenses of the securitizations, distributions with respect to its preferred equity interests. As a result of consolidation, the debt and equity interests the Company holds in these securitizations have been eliminated, and the Company's consolidated balance sheets reflect the assets held, debt issued by the securitizations to third parties and any accrued payables to third parties. The Company's operating results and cash flows include the gross amounts related to the securitizations' assets and liabilities as opposed to the Company's net economic interests in the securitizations. Assets and liabilities related to the securitizations are disclosed, in the aggregate, on the Company's consolidated balance sheets.

Creditors of the Company's Consolidated VIEs have no recourse to the general credit of the Company, nor to each other. During the three and six months ended June 30, 2018, the Company did not provide any financial support to any of its VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to any of its Consolidated VIEs.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The following table shows the classification and carrying values of assets and liabilities of the Company's Consolidated VIEs at June 30, 2018 (in thousands):

	CRE Securitizations	Other	Total
ASSETS			
Restricted cash	\$ 8,734	\$ 511	\$ 9,245
Accrued interest receivable	2,738	—	2,738
CRE loans, pledged as collateral	1,012,900	—	1,012,900
Other assets	267	9	276
Total assets ⁽¹⁾	\$ 1,024,639	\$ 520	\$ 1,025,159
LIABILITIES			
Accounts payable and other liabilities	\$ 119	\$ —	\$ 119
Accrued interest payable	485	—	485
Borrowings	632,004	—	632,004
Total liabilities	\$ 632,608	\$ —	\$ 632,608

(1) Assets of each of the Consolidated VIEs may only be used to settle the obligations of each respective VIE.

Unconsolidated VIEs (the Company is not the primary beneficiary, but has a variable interest)

Based on management's analysis, the Company is not the primary beneficiary of the VIEs discussed below since it does not have both (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. Accordingly, the following VIEs are not consolidated in the Company's financial statements at June 30, 2018. The Company's maximum exposure to risk for each of these unconsolidated VIEs is set forth in the "Maximum Exposure to Loss" column in the table below.

Unsecured Junior Subordinated Debentures

The Company has a 100% interest in the common shares of Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"), respectively, with a value of \$1.5 million in the aggregate, or 3% of each trust, at June 30, 2018. RCT I and RCT II were formed for the purposes of providing debt financing to the Company. The Company completed a qualitative analysis to determine whether or not it is the primary beneficiary of each of the trusts and determined that it was not the primary beneficiary of either trust because it does not have the power to direct the activities most significant to the trusts, which include the collection of principal and interest and protection of collateral through servicing rights. Accordingly, neither trust is consolidated into the Company's consolidated financial statements. The Company records its investments in RCT I and RCT II's common shares of \$774,000 each as investments in unconsolidated entities using the cost method, recording dividend income when declared by RCT I and RCT II. The trusts each hold subordinated debentures for which the Company is the obligor in the amount of \$25.8 million for each of RCT I and RCT II. The debentures were funded by the issuance of trust preferred securities of RCT I and RCT II. The Company will continuously reassess whether it is deemed to be the primary beneficiary of the trusts.

RCM Global

The Company, together with certain of Resource America, Inc.'s ("Resource America"), a wholly-owned subsidiary of C-III, subsidiaries, former employees and former employees' spouses, holds a membership interest in RCM Global, which formerly held a portfolio of available-for-sale securities. RCM Global was determined to be a VIE based on the majority equity interest holders' inability to direct the activities that are most significant to the entity. In January 2016, following adoption of the amendments to the consolidation guidance under which the Company concluded that it was not the primary beneficiary of RCM Global, the Company deconsolidated and began accounting for its investment as

an equity method investment in investments in unconsolidated entities on its consolidated financial statements. At June 30, 2018, the Company held a 63.8% interest in RCM Global, and the remainder was owned by subsidiaries and current and former employees of Resource America. The Company held an \$80,000 investment at June 30, 2018.

[\(Back to Index\)](#)

17

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

Pelium Capital

The Company, together with a subsidiary of Resource America, holds a partnership interest in Pelium Capital, a specialized credit opportunity fund that formerly held a portfolio of investment securities. In January 2016, upon adoption of the amendments to the consolidation guidance under which the Company concluded that it had a variable interest and was not the primary beneficiary in Pelium Capital, the Company deconsolidated and accounted for its investment as an equity method investment in investments in unconsolidated entities on its consolidated financial statements. At June 30, 2018, the Company held an 80.2% interest in Pelium Capital, with a carrying value of \$154,000.

Wells Fargo Commercial Mortgage Trust 2017-C40

In October 2017, the Company purchased 95% of the Class E, F, G, H and J certificates of Wells Fargo Commercial Mortgage Trust 2017-C40 ("C40"), a B-piece investment in a Wells Fargo Commercial Mortgage Securities, Inc., private-label, \$705.4 million securitization. C3AM, a related party that is not under common control, is the special servicer of C40. The Company determined that although its investment in C40 represented a variable interest, its investment did not provide the Company with a controlling financial interest. The Company accounts for its various investments in C40 as investment securities available-for-sale on its consolidated financial statements.

Prospect Hackensack JV LLC

In March 2018, the Company invested \$19.2 million in the preferred equity of Prospect Hackensack JV LLC ("Prospect Hackensack"), a joint venture between the Company and an unrelated third party ("Managing Member"). Prospect Hackensack was formed for the purpose of acquiring and operating a multifamily CRE property. The Managing Member manages the daily operations of the property. The Company determined that although its investment in Prospect Hackensack represented a variable interest, its investment did not provide the Company with a controlling financial interest. The Company accounts for its investment in Prospect Hackensack's preferred equity as a CRE loan on its consolidated financial statements.

The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company's unconsolidated VIEs at June 30, 2018 (in thousands):

	Unsecured Junior Subordinated Debentures	RCM Global	Pelium Capital	C40	Prospect Hackensack	Total	Maximum Exposure to Loss
ASSETS							
Accrued interest receivable	\$ 21	\$ —	\$ —	\$ 167	\$ —	\$ 188	\$ —
CRE loans	—	—	—	—	19,374	19,374	\$ 19,374
Investment securities available-for-sale ⁽¹⁾	—	—	—	21,113	—	21,113	\$ 20,938
Investments in unconsolidated entities	1,548	80	154	—	—	1,782	\$ 1,782
Total assets	1,569	80	154	21,280	19,374	42,457	
LIABILITIES							
Accrued interest payable	688	—	—	—	—	688	N/A
Borrowings	51,548	—	—	—	—	51,548	N/A
Total liabilities	52,236	—	—	—	—	52,236	N/A
Net asset (liability)	\$ (50,667)	\$ 80	\$ 154	\$ 21,280	\$ 19,374	\$ (9,779)	N/A

(1) The Company's investment in C40 is carried at fair value and its maximum exposure to loss is the amortized cost of the investment.

At June 30, 2018, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

[\(Back to Index\)](#)

18

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes the Company's supplemental disclosure of cash flow information (in thousands):

For the Six
 Months Ended
 June 30,
 2018 2017

Non-cash continuing financing activities include the following:

Distributions on common stock accrued but not paid	\$3,166	\$1,567
Distribution on preferred stock accrued but not paid	\$1,725	\$4,010

NOTE 5 - LOANS

The following is a summary of the Company's loans (dollars in thousands, except amounts in footnotes):

Description	Quantity	Principal	Unamortized (Discount) Premium, net ⁽¹⁾	Amortized Cost	Allowance for Loan Losses	Carrying Value ⁽²⁾	Contractual Interest Rates ⁽³⁾	Maturity Dates ⁽⁴⁾⁽⁵⁾⁽⁶⁾
At June 30, 2018:								
CRE loans held for investment:								
Whole loans ⁽⁷⁾⁽⁸⁾	78	\$1,434,572	\$ (7,916)	\$1,426,656	\$ (4,529)	\$1,422,127	1M LIBOR plus 2.50% to 1M LIBOR plus 6.25%	July 2018 to July 2021
Mezzanine loan Preferred equity investment (see Note 3) ⁽⁹⁾⁽¹⁰⁾	1 1	4,700 19,374	— (183)	4,700 19,191	— —	4,700 19,191	10.00% 11.50%	June 2028 April 2025
Total CRE loans held for investment		1,458,646	(8,099)	1,450,547	(4,529)	1,446,018		
Total loans		\$1,458,646	\$ (8,099)	\$1,450,547	\$ (4,529)	\$1,446,018		
At December 31, 2017:								
CRE loans held for investment:								
Whole loans ⁽⁷⁾	70	\$1,297,164	\$ (7,014)	\$1,290,150	\$ (5,328)	\$1,284,822	1M LIBOR plus 3.60% to 1M LIBOR plus 6.25%	February 2018 to January 2021
Total CRE loans held for investment		1,297,164	(7,014)	1,290,150	(5,328)	1,284,822		

Syndicated corporate loans (11)	2	13	—	13	—	13	N/A	N/A
Total loans held for sale		13	—	13	—	13		
Total loans		\$1,297,177	\$ (7,014)	\$1,290,163	\$ (5,328)	\$1,284,835		

Amounts include unamortized loan origination fees of \$7.6 million and \$6.7 million and deferred amendment fees (1) of \$482,000 and \$268,000 being amortized over the life of the loans at June 30, 2018 and December 31, 2017, respectively.

(2) Substantially all loans are pledged as collateral under various borrowings at June 30, 2018 and December 31, 2017.

(3) LIBOR refers to the London Interbank Offered Rate.

(4) Maturity dates exclude contractual extension options, subject to the satisfaction of certain terms, that may be available to the borrowers.

(5) Maturity dates exclude one whole loan, with an amortized cost of \$7.0 million, in default at June 30, 2018 and December 31, 2017.

(6) Maturity dates exclude one whole loan, with an amortized cost of \$11.5 million, in maturity default and performing with respect to debt service due in accordance with a forbearance agreement at June 30, 2018.

The loan was classified as an asset held for sale and in maturity default at December 31, 2017.

(7) Whole loans had \$88.7 million and \$84.1 million in unfunded loan commitments at June 30, 2018 and December 31, 2017, respectively. These unfunded loan commitments are advanced as the borrowers formally request additional funding, as permitted under the loan agreement, and any necessary approvals have been obtained.

(8) At June 30, 2018, two legacy CRE loans with amortized costs of \$28.3 million were reclassified to whole loans from assets held for sale as it is now the Company's intent to hold these loans to maturity.

(9) The interest rate on the Company's preferred equity investment pays currently at 8.00%. The remaining interest is deferred until maturity.

(10) Beginning in April 2023, the Company has the right to unilaterally force the sale of the underlying property.

(11) All syndicated corporate loans are second lien loans and are accounted for under the fair value option.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The following is a summary of the contractual maturities, assuming full exercise of the extension options available to the borrowers, of the Company's CRE loans held for investment, at amortized cost (in thousands, except amounts in footnotes):

Description	2018	2019	2020 and Thereafter	Total
At June 30, 2018:				
Whole loans ⁽¹⁾⁽²⁾	\$	-\$112,694	\$1,295,446	\$1,408,140
Mezzanine loan	—	—	4,700	4,700
Preferred equity investment	—	—	19,191	19,191
Total CRE loans ⁽¹⁾⁽²⁾	\$	-\$112,694	\$1,319,337	\$1,432,031

Description	2018	2019	2020 and Thereafter	Total
At December 31, 2017:				
Whole loans ⁽¹⁾	\$	-\$148,622	\$1,134,528	\$1,283,150

⁽¹⁾ Excludes one whole loan, with an amortized cost of \$7.0 million, in default at June 30, 2018 and December 31, 2017.

⁽²⁾ Excludes one whole loan, with an amortized cost of \$11.5 million, in maturity default and performing with respect to debt service due in accordance with a forbearance agreement at June 30, 2018. The loan was classified as an asset held for sale and in maturity default at December 31, 2017.

At June 30, 2018, approximately 31.2%, 24.0% and 13.1% of the Company's CRE loan portfolio was concentrated in the Southwest, Pacific and Mountain regions, respectively, based on carrying value, as defined by the National Council of Real Estate Investment Fiduciaries ("NCREIF"). At December 31, 2017, approximately 28.0%, 24.3%, and 12.5% of the Company's CRE loan portfolio was concentrated in the Southwest, Pacific and Mountain regions, respectively, based on carrying value.

Principal Paydowns Receivable

Principal paydowns receivable represents loan principal payments that have been received by the Company's servicers and trustees but have not been remitted to the Company. At June 30, 2018, the Company had no loan principal paydowns receivable. At December 31, 2017, the Company had \$75.9 million of loan principal paydowns receivable, all of which was received in cash by the Company in January 2018.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

NOTE 6 - FINANCING RECEIVABLES

The following tables show the activity in the allowance for loan and lease losses for the six months ended June 30, 2018 and year ended December 31, 2017 and the allowance for loan and lease losses and recorded investments in loans and leases at June 30, 2018 and December 31, 2017 (in thousands):

	Six Months Ended June 30, 2018			Year Ended December 31, 2017			Total
	Commercial Real Estate Loans	Direct Financing Leases	Total	Commercial Real Estate Loans	Syndicated Corporate Loans	Direct Financing Leases	
Allowance for loan and lease losses:							
Allowance for loan and lease losses at beginning of period	\$5,328	\$ 735	\$6,063	\$3,829	\$ —	\$ 465	\$4,294
Provision for (recovery of) loan and lease losses, net	(799)) —	(799)) 1,499	3	270	1,772
Loans charged-off	—	—	—	—	(3) —	(3
Allowance for loan and lease losses at end of period	\$4,529	\$ 735	\$5,264	\$5,328	\$ —	\$ 735	\$6,063
	June 30, 2018			December 31, 2017			Total
	Commercial Real Estate Loans	Direct Financing Leases	Total	Commercial Real Estate Loans	Syndicated Corporate Loans	Direct Financing Leases	
Allowance for loan and lease losses ending balance:							
Individually evaluated for impairment	\$2,500	\$ 735	\$3,235	\$2,500	\$ —	\$ 735	\$3,235
Collectively evaluated for impairment	\$2,029	\$ —	\$2,029	\$2,828	\$ —	\$ —	\$2,828
Loans acquired with deteriorated credit quality	\$—	\$ —	\$—	\$—	\$ —	\$ —	\$—
Loans and Leases:							
Amortized cost ending balance:							
Individually evaluated for impairment	\$30,891	\$ 801	\$31,692	\$7,000	\$ —	\$ 886	\$7,886
Collectively evaluated for impairment	\$1,419,656	\$ —	\$1,419,656	\$1,283,150	\$ —	\$ —	\$1,283,150
Loans acquired with deteriorated credit quality	\$—	\$ —	\$—	\$—	\$ —	\$ —	\$—

Credit quality indicators

Commercial Real Estate Loans

CRE loans are collateralized by a diversified mix of real estate properties and are assessed for credit quality based on the collective evaluation of several factors, including but not limited to: collateral performance relative to underwritten plan, time since origination, current implied and/or reunderwritten loan-to-collateral value ratios, loan structure and exit plan. Depending on the loan's performance against these various factors, loans are rated on a scale from 1 to 5, with loans rated 1 representing loans with the highest credit quality and loans rated 5 representing loans

with lowest credit quality. The factors evaluated provide general criteria to monitor credit migration in the Company's loan portfolio, as such, a loan's rating may improve or worsen, depending on new information received.

[\(Back to Index\)](#)

21

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The criteria set forth below should be used as general guidelines, and, therefore, not every loan will have all of the characteristics described in each category below. Loans that are performing according to their underwritten plans generally will not require an allowance for loan loss.

Risk Rating	Risk Characteristics
1	<ul style="list-style-type: none"> • Property performance has surpassed underwritten expectations. • Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high quality tenant mix.
2	<ul style="list-style-type: none"> • Property performance is consistent with underwritten expectations and covenants and performance criteria are being met or exceeded. • Occupancy is stabilized, near stabilized or is on track with underwriting.
3	<ul style="list-style-type: none"> • Property performance lags behind underwritten expectations. • Occupancy is not stabilized and the property has some tenancy rollover.
4	<ul style="list-style-type: none"> • Property performance significantly lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers. • Occupancy is not stabilized and the property has a large amount of tenancy rollover.
5	<ul style="list-style-type: none"> • Property performance is significantly worse than underwritten expectations. The loan is not in compliance with loan covenants and performance criteria and is in default. Expected sale proceeds would not be sufficient to pay off the loan at maturity. • The property has material vacancy and significant rollover of remaining tenants. • An updated appraisal is required.

All CRE loans are evaluated for any credit deterioration by debt asset management and certain finance personnel on at least a quarterly basis.

Whole loans are first individually evaluated for impairment; and to the extent not deemed impaired, a general reserve is established.

The allowance for loan loss is computed as (i) 1.5% of the aggregate face values of loans rated as a 3, plus (ii) 5.0% of the aggregate face values of loans rated as a 4, plus (iii) specific allowances measured and determined on loans individually evaluated, which are loans rated as a 5. While the overall risk rating is generally not the sole factor used in determining whether a loan is impaired, a loan with a higher overall risk rating would tend to have more adverse indicators of impairment, and therefore would be more likely to experience a credit loss.

The Company's mezzanine loan and preferred equity investment are evaluated individually for impairment.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

Credit risk profiles of CRE loans at amortized cost and legacy CRE loans held for sale at the lower of cost or fair value were as follows (in thousands, except amounts in footnotes):

	Rating 1	Rating 2	Rating 3 (1)	Rating 4	Rating 5 (2)	Held for Sale (3)	Total
At June 30, 2018:							
Whole loans	\$ 13,000	\$ 1,271,509	\$ 130,302	\$ 4,845	\$ 7,000	\$—	\$ 1,426,656
Mezzanine loan (4)	—	4,700	—	—	—	—	4,700
Preferred equity investment (4)	—	19,191	—	—	—	—	19,191
Legacy CRE loans held for sale	—	—	—	—	—	18,000	18,000
	\$ 13,000	\$ 1,295,400	\$ 130,302	\$ 4,845	\$ 7,000	\$ 18,000	\$ 1,468,547
At December 31, 2017:							
Whole loans	\$ 65,589	\$ 1,040,883	\$ 171,841	\$ 4,837	\$ 7,000	\$—	\$ 1,290,150
Legacy CRE loans held for sale	—	—	—	—	—	61,841	61,841
	\$ 65,589	\$ 1,040,883	\$ 171,841	\$ 4,837	\$ 7,000	\$ 61,841	\$ 1,351,991

Includes one whole loan, with an amortized cost of \$11.5 million, that was in maturity default at June 30, 2018.

(1) The loan is performing with respect to debt service due in accordance with a forbearance agreement at June 30, 2018.

(2) Includes one whole loan, with an amortized cost of \$7.0 million, that was in default at June 30, 2018 and December 31, 2017.

(3) Includes one and two legacy CRE loans that were in default with total carrying values of \$18.0 million and \$22.5 million at June 30, 2018 and December 31, 2017, respectively.

(4) The Company's mezzanine loan and preferred equity investment are evaluated individually for impairment.

At June 30, 2018 and December 31, 2017, the Company had one CRE whole loan designated as an impaired loan with a risk rating of 5 due to short term vacancy/tenant concerns and a past due maturity of February 2017. The loan had an amortized cost of \$7.0 million at June 30, 2018 and December 31, 2017. The Company obtained an appraisal of the collateral in 2016, indicating a fair value of \$4.5 million, which it relied upon as a practical expedient for determining the value of the loan at June 30, 2018 and December 31, 2017. No additional provision was recorded on the loan for the three and six months ended June 30, 2018 and 2017. This loan was in default at June 30, 2018 and December 31, 2017.

At June 30, 2018, the Company had one legacy CRE loan and one mezzanine loan included in assets held for sale with total carrying values of \$18.0 million, comprising total amortized cost bases of \$24.6 million less a valuation allowance of \$6.6 million. The mezzanine loan held for sale had no fair value at June 30, 2018.

At December 31, 2017, the Company had four legacy CRE loans and one mezzanine loan included in assets held for sale with total carrying values of \$61.8 million, comprising total amortized cost bases of \$63.8 million less a valuation allowance of \$1.9 million. The mezzanine loan held for sale had no fair value at December 31, 2017.

In June 2018, the Company sold the note and deed of trust of one legacy CRE loan for \$12.0 million, resulting in a realized gain of \$1.0 million for the three and six months ended June 30, 2018.

At June 30, 2018, the Company reclassified two legacy CRE loans back into the CRE loan portfolio at the lesser of each loan's cost or market value, totaling \$28.3 million, as the Company now intends to hold the loans to maturity. The loans are classified as CRE loans on the consolidated balance sheets. One reclassified loan with an amortized cost of \$11.5 million was in maturity default at June 30, 2018 and December 31, 2017 and is performing with respect to debt service due in accordance with a forbearance agreement.

At June 30, 2018 and December 31, 2017, the one remaining legacy CRE loan had a carrying value of \$18.0 million and \$22.5 million, respectively. An additional fair value adjustment of \$4.7 million, which included protective advances of \$172,000, to reduce the carrying value was recognized during the six months ended June 30, 2018. This adjustment was recorded based on the receipt of updated appraisals in April 2018 and was recognized in fair value adjustments on financial assets held for sale on the Company's consolidated statements of operations. No valuation adjustments were recognized for the three months ended June 30, 2018, nor the three and six months ended June 30, 2017. The loan is currently in default.

At December 31, 2017, 45.8%, 36.4% and 17.8% of the Company's legacy CRE loans were concentrated in retail, hotel and office, respectively, based on carrying value. Of these loans, 82.2% and 17.8% were within the Pacific and Mountain regions, respectively.

[\(Back to Index\)](#)

23

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

Except as previously discussed, all of the Company's CRE loans, its mezzanine loan and its preferred equity investment were current with respect to contractual principal and interest at June 30, 2018.

Direct Financing Leases

The Company recorded no provision for lease losses against the value of its direct financing leases during the three and six months ended June 30, 2018. The Company recorded a provision for lease losses of \$131,000 and \$270,000 during the three and six months ended June 30, 2017, respectively. The Company held \$66,000 and \$151,000 of direct financing leases, net of reserves, at June 30, 2018 and December 31, 2017, respectively.

Loan Portfolios Aging Analysis

The following table presents the CRE loan portfolio aging analysis as of the dates indicated at amortized cost and legacy CRE loans held for sale at the lower of cost or fair value (in thousands, except amounts in footnotes):

	30-59 Days	60-89 Days	Greater than 90 Days (1)(2)	Total Past Due (3)	Current	Total Loans Receivable (4)	Total Loans > 90 Days and Accruing (2)
At June 30, 2018:							
Whole loans	\$—	\$ —	-\$18,516	\$18,516	\$1,408,140	\$1,426,656	\$ 11,516
Mezzanine loan	—	—	—	—	4,700	4,700	—
Preferred equity investment	—	—	—	—	19,191	19,191	—
Legacy CRE loans held for sale	—	—	18,000	18,000	—	18,000	—
Total loans	\$—	\$ —	-\$36,516	\$36,516	\$1,432,031	\$1,468,547	\$ 11,516
At December 31, 2017:							
Whole loans	\$—	\$ —	-\$7,000	\$7,000	\$1,283,150	\$1,290,150	\$—
Legacy CRE loans held for sale	11,516	—	11,000	22,516	39,325	61,841	—
Total loans	\$11,516	\$ —	-\$18,000	\$29,516	\$1,322,475	\$1,351,991	\$—

(1) Includes one whole loan, with an amortized cost of \$7.0 million, that was in default at June 30, 2018 and December 31, 2017.

Includes one whole loan, with an amortized cost of \$11.5 million, that was in maturity default at June 30, 2018.

(2) The loan is performing with respect to debt service due in accordance with a forbearance agreement at June 30, 2018.

(3) Includes one and two legacy CRE loans held for sale that were in default with total carrying values of \$18.0 million and \$22.5 million at June 30, 2018 and December 31, 2017, respectively.

(4) Excludes direct financing leases of \$66,000 and \$151,000, net of reserves, at June 30, 2018 and December 31, 2017, respectively.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

Impaired Loans

The following tables show impaired loans as of the dates indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
At June 30, 2018:					
Loans without a specific valuation allowance:					
Whole loans	\$ —	\$ —	\$ —	\$ —	\$ —
Loans with a specific valuation allowance:					
Whole loans	\$ 7,000	\$ 7,000	\$ (2,500)	\$ 7,000	\$ —
Total:					
Whole loans	\$ 7,000	\$ 7,000	\$ (2,500)	\$ 7,000	\$ —

At December 31, 2017:

Loans without a specific valuation allowance:					
Whole loans	\$ —	\$ —	\$ —	\$ —	\$ —
Loans with a specific valuation allowance:					
Whole loans	\$ 7,000	\$ 7,000	\$ (2,500)	\$ 7,000	\$ —
Total:					
Whole loans	\$ 7,000	\$ 7,000	\$ (2,500)	\$ 7,000	\$ —

Troubled-Debt Restructurings ("TDR")

There were no TDRs for the six months ended June 30, 2018 and 2017.

NOTE 7 - INVESTMENT SECURITIES, TRADING

Structured notes are CLO debt securities collateralized by syndicated corporate loans. The following table summarizes the Company's structured notes classified as investment securities, trading and carried at fair value (in thousands, except number of securities):

	Number of Securities	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
At June 30, 2018:					
Structured notes	1	\$ 1,000	\$	—\$(1,000)	\$ —

At December 31, 2017:

Structured notes	4	\$ 2,891	\$	—\$(2,713)	\$ 178
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The Company did not sell any investment securities during the three months ended June 30, 2018 and two investment securities resulting in realized losses of \$5,000 during the six months ended June 30, 2018. The Company did not sell any investment securities during the three months ended June 30, 2017 and one investment security resulting in a realized gain of \$9,000 during the six months ended June 30, 2017.

The Company received payoff proceeds on one investment security resulting in a realized loss of \$3,000 during the three and six months ended June 30, 2018.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

NOTE 8 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following table summarizes the Company's investment securities available-for-sale, including those pledged as collateral. As of December 31, 2017, ABS may include, but are not limited to, the Company's investments in securities backed by syndicated corporate loans and other loan obligations. Investment securities available-for-sale are carried at fair value (in thousands, except amounts in the footnote):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value ⁽¹⁾
At June 30, 2018:				
CMBS	\$ 317,414	\$ 2,347	\$ (1,337)	\$ 318,424
Total	\$ 317,414	\$ 2,347	\$ (1,337)	\$ 318,424
At December 31, 2017:				
CMBS	\$ 210,806	\$ 1,947	\$ (1,174)	\$ 211,579
ABS	259	—	(101)	158
Total	\$ 211,065	\$ 1,947	\$ (1,275)	\$ 211,737

⁽¹⁾ At June 30, 2018 and December 31, 2017, \$255.2 million and \$169.6 million, respectively, of investment securities available-for-sale were pledged as collateral under related financings.

The following table summarizes the estimated payoff dates of the Company's investment securities available-for-sale according to their estimated weighted average life classifications (in thousands, except percentages):

	June 30, 2018			December 31, 2017		
	Amortized Cost	Fair Value	Weighted Average Coupon	Amortized Cost	Fair Value	Weighted Average Coupon
Less than one year ⁽¹⁾	\$22,563	\$22,237	5.32%	\$25,475	\$25,275	5.55%
Greater than one year and less than five years	172,565	173,646	5.04%	126,273	127,104	4.65%
Greater than five years and less than ten years	122,286	122,541	3.65%	59,317	59,358	3.53%
Total	\$317,414	\$318,424	4.52%	\$211,065	\$211,737	4.45%

⁽¹⁾ The Company expects that the payoff dates of these CMBS and ABS will either be extended or that the securities will be paid off in full.

At June 30, 2018, the contractual maturities of the CMBS investment securities available-for-sale range from June 2022 to November 2059.

The following table summarizes the fair value, gross unrealized losses and number of securities aggregated by investment category and the length of time that individual investment securities available-for-sale have been in a continuous unrealized loss position during the periods specified (in thousands, except number of securities):

	Less than 12 Months			More than 12 Months			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
At June 30, 2018:									
CMBS	\$39,979	\$ (883)	13	\$4,072	\$ (454)	5	\$44,051	\$ (1,337)	18
Total temporarily impaired securities	\$39,979	\$ (883)	13	\$4,072	\$ (454)	5	\$44,051	\$ (1,337)	18

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At December 31, 2017:

CMBS	\$49,016	\$ (888)	12	\$1,308	\$ (286)	4	\$50,324	\$ (1,174)	16
ABS	158	(101)	1	—	—	—	158	(101)	1
Total temporarily impaired securities	\$49,174	\$ (989)	13	\$1,308	\$ (286)	4	\$50,482	\$ (1,275)	17

The unrealized losses in the above table are considered to be temporary impairments due to market factors and are not reflective of credit deterioration.

(Back to Index)

26

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The Company recognized no other-than-temporary impairments on its investment securities available-for-sale for the three and six months ended June 30, 2018 and 2017.

The following table summarizes the Company's sales of investment securities available-for-sale (in thousands, except positions sold and redeemed):

	For the Three Months Ended				For the Six Months Ended				
	Position Sold/Redeemed	Proceeds	Amortized Cost	Realized Gain (Loss) (1)	Position Sold/Redeemed	Proceeds	Amortized Cost	Realized Gain (Loss) (1)	Proceeds (2)
June 30, 2018:									
ABS	0 \$ —	\$ —	\$ —	\$ —	2 \$ 411	\$ 265	\$(217)	\$ 48	
CMBS	0 —	—	—	—	0 —	—	—	—	
Total	—\$ —	\$ —	\$ —	\$ —	2 \$ 411	\$ 265	\$(217)	\$ 48	
June 30, 2017:									
ABS	2 \$ 9,605	\$ 7,475	\$ 1,792	\$ 7,235	2 \$ 9,605	\$ 7,475	\$ 1,792	\$ 7,235	
Total	2 \$ 9,605	\$ 7,475	\$ 1,792	\$ 7,235	2 \$ 9,605	\$ 7,475	\$ 1,792	\$ 7,235	

(1) The realized gains for the three and six months ended June 30, 2017 exclude foreign currency exchange losses that were hedged with foreign currency forward contracts.

(2) Includes unsettled proceeds of \$3.1 million, received in July 2017, from the sale of one ABS during the three and six months ended June 30, 2017.

NOTE 9 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

The following table summarizes the Company's investments in unconsolidated entities at June 30, 2018 and December 31, 2017 and equity in earnings (losses) of unconsolidated entities for the three and six months ended June 30, 2018 and 2017 (in thousands, except percentages and amounts in footnotes):

	Ownership % at June 30, 2018	Investment at		Equity in Earnings (Losses) of Unconsolidated Entities			
		June 30, 2018	December 31, 2017	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2017	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Pelium Capital (1)	80.2%	\$ 154	\$ 10,503	\$ 75	\$ 82	\$(230)	\$(77)
RCM Global	63.8%	80	—	(6)	(166)	7	(170)
RRE VIP Borrower, LLC (2)	—%	—	—	—	37	—	37
Pearlmark Mezzanine Realty Partners IV, L.P. (3)	—%	—	—	—	(193)	—	165
Investment in LCC Preferred Stock (4)	—%	—	—	—	122	—	288
Subtotal		234	10,503	69	(118)	(223)	243
Investment in RCT I and II (5)	3.0%	1,548	1,548	(806)	(663)	(1,530)	(1,300)
Total		\$ 1,782	\$ 12,051	\$(737)	\$(781)	\$(1,753)	\$(1,057)

(1) During the six months ended June 30, 2018 and 2017, the Company received distributions of \$10.2 million and \$13.6 million, respectively, on its investment in Pelium Capital.

The Company sold its investment in RRE VIP Borrower in December 2014. Earnings for the three and six months (2) ended June 30, 2017 are related to insurance premium refunds with respect to the underlying sold properties in the portfolio.

(3) The Company sold its investment in Pearlmark Mezzanine Reality Partners IV, L.P. ("Pearlmark Mezz") in May 2017.

(4) The Company's investment in LEAF Commercial Capital, Inc. ("LCC") liquidated in July 2017 as a result of the sale of LCC.

(5) During the six months ended June 30, 2018 and 2017, distributions from the trusts are recorded in interest expense on the Company's consolidated statements of operations as the investments are accounted for under the cost method.

During the six months ended June 30, 2018, investments held by Pelium Capital and RCM Global were substantially liquidated.

(Back to Index)

27

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

NOTE 10 - BORROWINGS

The Company historically has financed the acquisition of its investments, including investment securities and loans, through the use of secured and unsecured borrowings in the form of securitized notes, repurchase agreements, secured term facilities, warehouse facilities, convertible senior notes and trust preferred securities issuances. Certain information with respect to the Company's borrowings is summarized in the following table (in thousands, except percentages and amounts in footnotes):

	Principal Outstanding	Unamortized Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
At June 30, 2018:						
RCC 2015-CRE3 Senior Notes	\$ 16,592	\$ 142	\$ 16,450	6.07%	13.7 years	\$ 80,632
RCC 2015-CRE4 Senior Notes	8,644	132	8,512	5.07%	14.1 years	97,827
RCC 2017-CRE5 Senior Notes	217,954	2,918	215,036	3.12%	16.1 years	336,734
XAN 2018-RSO6 Senior Notes	397,452	5,446	392,006	3.19%	17.0 years	514,225
Unsecured junior subordinated debentures	51,548	—	51,548	6.28%	18.2 years	—
4.50% Convertible Senior Notes	143,750	15,107	128,643	4.50%	4.1 years	—
6.00% Convertible Senior Notes	70,453	425	70,028	6.00%	154 days	—
8.00% Convertible Senior Notes	21,182	352	20,830	8.00%	1.5 years	—
CRE - term repurchase facilities ⁽¹⁾	160,755	1,968	158,787	4.34%	43 days	255,334
Trust certificates - term repurchase facilities ⁽²⁾	74,134	417	73,717	6.58%	1.6 years	207,901
CMBS - short term repurchase agreements ⁽³⁾	184,089	—	184,089	3.48%	48 days	262,654
Total	\$ 1,346,553	\$ 26,907	\$ 1,319,646	4.07%	9.2 years	\$ 1,755,307
		Unamortized				
	Principal Outstanding	Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
At December 31, 2017:						
RCC 2015-CRE3 Senior Notes	\$ 85,788	\$ 396	\$ 85,392	4.50%	14.2 years	\$ 149,828
RCC 2015-CRE4 Senior Notes	90,883	407	90,476	3.65%	14.6 years	180,066

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RCC 2017-CRE5 Senior Notes	244,280	3,493	240,787	2.51%	16.6 years	369,534
Unsecured junior subordinated debentures	51,548	—	51,548	5.49%	18.7 years	—
4.50% Convertible Senior Notes	143,750	16,626	127,124	4.50%	4.6 years	—
6.00% Convertible Senior Notes	70,453	928	69,525	6.00%	335 days	—
8.00% Convertible Senior Notes	21,182	466	20,716	8.00%	2.0 years	—
CRE - term repurchase facilities ⁽¹⁾	292,511	1,013	291,498	3.82%	222 days	432,125
Trust certificates - term repurchase facilities ⁽²⁾	76,714	570	76,144	5.97%	2.1 years	214,375
CMBS - short term repurchase agreements ⁽³⁾	82,647	—	82,647	2.79%	14 days	131,522
CMBS - term repurchase facilities ⁽⁴⁾	27,628	—	27,628	3.05%	121 days	38,060
Total	\$ 1,187,384	\$ 23,899	\$ 1,163,485	4.00%	7.3 years	\$ 1,515,510

(1) Principal outstanding includes accrued interest payable of \$276,000 and \$534,000 at June 30, 2018 and December 31, 2017, respectively.

(2) Principal outstanding includes accrued interest payable of \$203,000 and \$203,000 at June 30, 2018 and December 31, 2017, respectively.

(3) Principal outstanding includes accrued interest payable of \$672,000 and \$279,000 at June 30, 2018 and December 31, 2017, respectively.

(4) Principal outstanding includes accrued interest payable of \$46,000 at December 31, 2017.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

Securizations

The following table sets forth certain information with respect to the Company's consolidated securitizations at June 30, 2018 (in thousands):

Securitization	Closing Date	Maturity Date	End of Designated Principal Reinvestment Period ⁽¹⁾	Total Note Paydowns Received from Closing Date through June 30, 2018
RCC 2015-CRE3	February 2015	March 2032	February 2017	\$ 265,535
RCC 2015-CRE4	August 2015	August 2032	September 2017	\$ 215,091
RCC 2017-CRE5	July 2017	July 2034	July 2020	\$ 33,495
XAN 2018-RSO6	June 2018	June 2035	December 2020	\$ —

The designated principal reinvestment period is the period where principal payments received by each respective securitization may be designated by the Company to purchase funding participations of existing collateral originally underwritten at the close of each securitization, which were or would be funded outside of the deal structure.

The investments held by the Company's securitizations collateralize the securitizations' borrowings and, as a result, are not available to the Company, its creditors, or stockholders. All senior notes of the securitizations held by the Company at June 30, 2018 and December 31, 2017 are eliminated in consolidation.

RCC 2015-CRE3

In August 2018, a subsidiary of the Company initiated the optional redemption feature of RCC 2015-CRE3.

RCC 2015-CRE4

In July 2018, a subsidiary of the Company exercised the optional redemption feature of RCC 2015-CRE4, and all of the outstanding senior notes were paid off from the payoff proceeds of certain of the securitizations's assets.

XAN 2018-RSO6

In June 2018, the Company closed XAN 2018-RSO6, a \$514.2 million CRE securitization transaction that provided financing for transitional CRE loans. XAN 2018-RSO6 offered approximately \$405.0 million of senior notes, at par, to unrelated investors. A subsidiary of RCC Real Estate purchased 16.7% of the Class D senior notes and 100% of the Class E and Class F notes. In addition, a subsidiary of RCC Real Estate purchased an equity interest representing 100% of the outstanding preference shares. The Class E and Class F notes purchased by a subsidiary of RCC Real Estate are subordinated in right of payment to all other senior notes issued by XAN 2018-RSO6, but are senior in right of the payment to the preference shares. The equity interest is subordinated in right of payment to all other securities issued by XAN 2018-RSO6.

At closing, the senior notes issued to investors consisted of the following classes: (i) \$290.5 million of Class A notes bearing interest at one-month LIBOR plus 0.83%, increasing to 1.08% in May 2023; (ii) \$39.2 million of Class B notes bearing interest at one-month LIBOR plus 1.15%, increasing to 1.65% in July 2023; (iii) \$30.2 million of Class C notes bearing interest at one-month LIBOR plus 1.85%, increasing to 2.35% in July 2023; (iv) \$45.0 million of Class D notes bearing interest at one-month LIBOR plus 2.50%, increasing to 3.00% in September 2023; (v) \$18.0 million of Class E notes bearing interest at one-month LIBOR plus 4.00%; and (vi) \$21.9 million of Class F notes bearing interest at one-month LIBOR plus 5.00%.

All of the notes issued mature in June 2035, although the Company has the right to call the notes any time after July 2020 until maturity.

[\(Back to Index\)](#)

29

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

Repurchase and Credit Facilities

Borrowings under the Company's repurchase agreements are guaranteed by the Company or one of its subsidiaries. The following table sets forth certain information with respect to the Company's repurchase agreements (in thousands, except percentages and amounts in footnotes):

	June 30, 2018			Weighted Average Interest Rate	December 31, 2017			Weighted Average Interest Rate
	Outstanding Borrowings (1)	Value of Collateral	Number of Positions as Collateral		Outstanding Borrowings (1)	Value of Collateral	Number of Positions as Collateral	
CRE - Term Repurchase Facilities								
Wells Fargo Bank, N.A. (2)	\$92,621	\$146,705	8	4.09%	\$179,347	\$268,003	19	3.68%
Morgan Stanley Bank, N.A. (3)	67,947	108,629	5	4.68%	112,151	164,122	9	4.05%
Barclays Bank PLC (4)	(1,782)	—	—	—%	—	—	—	—%
CMBS - Term Repurchase Facilities								
Wells Fargo Bank, N.A.	—	—	—	—%	12,272	14,984	8	2.45%
Deutsche Bank AG (7)	—	—	—	—%	15,356	23,076	14	3.53%
Trust Certificates - Term Repurchase Facilities								
RSO Repo SPE Trust 2015 (5)	26,624	89,121	2	7.57%	26,548	89,121	2	6.98%
RSO Repo SPE Trust 2017 (6)	47,093	118,780	2	6.02%	49,596	125,254	2	5.43%
CMBS - Short-Term Repurchase Agreements								
RBC Capital Markets, LLC	156,643	207,291	22	3.48%	72,131	97,745	6	2.77%
JP Morgan Securities LLC	13,780	38,231	5	3.48%	10,516	33,777	2	2.93%
	13,667	17,132	11	3.43%	—	—	—	—%

Deutsche Bank
Securities Inc. ⁽⁷⁾

Total	\$416,593	\$725,889	\$477,917	\$816,082
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(1) Outstanding borrowings includes accrued interest payable.

(2) Includes \$59,000 and \$565,000 of deferred debt issuance costs at June 30, 2018 and December 31, 2017, respectively.

(3) Includes \$127,000 and \$448,000 of deferred debt issuance costs at June 30, 2018 and December 31, 2017, respectively.

(4) Includes \$1.8 million of deferred debt issuance costs at June 30, 2018 and no deferred debt issuance costs at December 31, 2017.

(5) Includes \$59,000 and \$133,000 of deferred debt issuance costs at June 30, 2018 and December 31, 2017, respectively.

(6) Includes \$263,000 and \$320,000 of deferred debt issuance costs at June 30, 2018 and December 31, 2017, respectively.

(7) In May 2018, the facility's term was rolled from a one-year basis, with extensions at the buyer's option, to a three-month basis. At June 30, 2018, the facility was reclassified from CMBS - term repurchase facilities to CMBS - short term repurchase agreements.

(Back to Index)

30

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The following table shows information about the amount at risk under the repurchase facilities at June 30, 2018 (in thousands, except percentages):

	Amount at Risk (1)	Weighted Average Remaining Maturity	Weighted Average Interest Rate
At June 30, 2018:			
CRE - Term Repurchase Facilities			
Wells Fargo Bank, N.A.	\$54,677	21 days	4.09%
Morgan Stanley Bank, N.A.	\$41,066	72 days	4.68%
Trust Certificates - Term Repurchase Facilities			
RSO Repo SPE Trust 2015	\$62,515	143 days	7.57%
RSO Repo SPE Trust 2017	\$71,438	2.2 years	6.02%
CMBS - Short-Term Repurchase Agreements			
RBC Capital Markets, LLC	\$51,135	48 days	3.48%
JP Morgan Securities LLC	\$24,535	46 days	3.48%
Deutsche Bank Securities Inc.	\$3,510	56 days	3.43%

(1) Equal to the total of the estimated fair value of securities or loans sold and accrued interest receivable, minus the total of the repurchase agreement liabilities and accrued interest payable.

The Company is in compliance with all covenants in each of the respective agreements at June 30, 2018.

CRE - Term Repurchase Facilities

In February 2012, a wholly-owned subsidiary of the Company entered into a master repurchase and securities agreement (the "2012 Facility") with Wells Fargo Bank, N.A. ("Wells Fargo") to finance the origination of CRE loans. In July 2018, the subsidiary entered into an amended and restated master repurchase agreement (the "2018 Facility"), in exchange for an extension fee and other reasonable costs, that maintained the \$400.0 million maximum facility amount and extended the term of the facility to July 2020 with three one-year extension options exercisable at the Company's discretion. The 2018 Facility charges interest rates of one-month LIBOR plus spreads from 1.75% to 2.50%.

The 2018 Facility, consistent with the 2012 Facility, contains customary events of default. The remedies for such events of default are also customary for this type of transaction and include the acceleration of all obligations of the Company to repay the purchase price for purchased assets.

The 2018 Facility, consistent with the 2012 Facility, also contains margin call provisions relating to a decline in the market value of a security. Under these circumstances, Wells Fargo may require the Company to transfer cash in an amount sufficient to eliminate any margin deficit resulting from such a decline.

Consistent with the guaranty agreement dated February 2012, the Company continues to guarantee the payment and performance of its subsidiaries' obligations to the lender through an amended and restated guaranty agreement dated in July 2018 (the "2018 Guaranty"), including all reasonable expenses that are incurred by the lender in connection with the enforcement of the 2018 Facility. The 2018 Guaranty includes covenants that, among other requirements, stipulate certain thresholds, including: required liquidity, required capital, total indebtedness to total equity, EBITDA to interest expense, and total indebtedness.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

Contractual maturity dates of the Company's borrowings' principal outstanding by category and year are presented in the table below at June 30, 2018 (in thousands):

	Total	2018	2019	2020	2021	2022 and Thereafter
At June 30, 2018:						
CRE securitizations	\$640,642	\$—	\$—	\$—	\$—	—\$640,642
Unsecured junior subordinated debentures	51,548	—	—	—	—	51,548
4.50% Convertible Senior Notes	143,750	—	—	—	—	143,750
6.00% Convertible Senior Notes	70,453	70,453	—	—	—	—
8.00% Convertible Senior Notes	21,182	—	—	21,182	—	—
Repurchase and credit facilities	418,978	371,526	—	47,452	—	—
Total	\$1,346,553	\$441,979	\$—	—\$68,634	\$—	—\$835,940

NOTE 11 - SHARE ISSUANCE AND REPURCHASE

In January 2018, the Company redeemed all shares of its 8.50% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") and 930,983 shares of its 8.25% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") at redemption prices of \$25.00 per share plus accrued but unpaid distributions. The total redemption cost of \$50.0 million was reported as a preferred stock redemption liability on the consolidated balance sheet at December 31, 2017.

In March 2018, the Company redeemed all remaining shares of its Series B Preferred Stock at a redemption price of \$25.00 per share, or \$115.3 million, plus accrued but unpaid distributions, resulting in a preferred stock redemption charge of \$7.5 million on the consolidated statement of operations for the six months ended June 30, 2018.

On or after July 30, 2024, the Company may, at its option, redeem its 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock"), in whole or in part, at any time and from time to time, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date. Effective July 30, 2024 and thereafter, the Company will pay cumulative distributions on the Series C Preferred Stock at a floating rate equal to three-month LIBOR plus 5.927% per annum based on the \$25.00 liquidation preference, provided that such floating rate shall not be less than the initial rate of 8.625% at any date of determination.

Under a share repurchase plan authorized by the Board in August 2015, the Company was authorized to repurchase up to \$50.0 million of its outstanding equity and debt securities. In March 2016, the Company's Board approved a new securities repurchase program for up to \$50.0 million of its outstanding securities, which replaced the August 2015 repurchase plan. During the three and six months ended June 30, 2018 and 2017, the Company did not repurchase any shares of its common or preferred stock through this program. At June 30, 2018, \$44.9 million remains available under this repurchase plan.

At June 30, 2018, the Company had 4.8 million shares of Series C Preferred Stock outstanding, with a weighted average issuance price, excluding offering costs, of \$25.00.

NOTE 12 - SHARE-BASED COMPENSATION

The following table summarizes the Company's restricted common stock transactions:

	Non-Employee Directors	Non-Employees (1)	Former Employees	Total
Unvested shares at January 1, 2018	34,565	419,541	28,967	483,073
Issued	27,032	209,355	—	236,387
Vested	(29,947)	(237,039)	(23,158)	(290,144)
Forfeited	—	(1,725)	—	(1,725)
Unvested shares at June 30, 2018	31,650	390,132	5,809	427,591

(1) Non-employees are employees of C-III or Resource America.

[\(Back to Index\)](#)

32

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The Company is required to value any unvested shares of restricted common stock granted to non-employees at the current market price. The fair values at grant date of the shares of restricted common stock granted to non-employees during the six months ended June 30, 2018 and 2017 were \$2.0 million and \$2.7 million, respectively. The fair values at grant date of shares of restricted common stock issued to the Company's eight non-employee directors during the six months ended June 30, 2018 and 2017 were \$255,000 and \$290,000, respectively.

At June 30, 2018, the total unrecognized restricted common stock expense for non-employees was \$2.2 million, with a weighted average amortization period remaining of 2.2 years. At December 31, 2017, the total unrecognized restricted common stock expense for non-employees was \$1.4 million, with a weighted average amortization period remaining of 2.0 years.

The following table summarizes restricted common stock grants during the six months ended June 30, 2018:

Date	Shares	Vesting per Year	Vesting Date(s)
January 18, 2018	209,355	33.3%	January 18, 2019, January 18, 2020 and January 18, 2021
February 1, 2018	3,727	100.0%	February 1, 2019
March 8, 2018	16,302	100.0%	March 8, 2019
June 1, 2018	3,493	100.0%	June 1, 2019
June 6, 2018	3,510	100.0%	June 6, 2019

The following table summarizes the status of the Company's vested stock options at June 30, 2018:

Vested Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Vested at January 1, 2018	10,000	\$ 25.60		
Vested	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	—	—		
Vested at June 30, 2018	10,000	\$ 25.60	2.88	\$ —

There were no options granted during the six months ended June 30, 2018 or 2017. The outstanding stock options have contractual terms of ten years and will expire in 2021.

The components of equity compensation expense for the periods presented are as follows (in thousands):

	For the		For the Six	
	Three Months Ended	June 30,	Months Ended	Months Ended
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Restricted shares granted to non-employees ⁽¹⁾	\$587	\$675	\$1,481	\$1,390
Restricted shares granted to non-employee directors	72	59	145	132
Total equity compensation expense ⁽²⁾	\$659	\$734	\$1,626	\$1,522

(1) Non-employees are employees of C-III or Resource America.

(2) Amounts exclude equity compensation expense for employees of PCM, which is included in net income (loss) from discontinued operations, net of tax on the consolidated statements of operations during the three and six

months ended June 30, 2017.

Under the Company's Third Amended and Restated Management Agreement ("Management Agreement"), incentive compensation is paid quarterly. Up to 75% of the incentive compensation is paid in cash and at least 25% is paid in the form of an award of common stock, recorded in management fee on the consolidated statements of operations. The Manager received no incentive management fee for the three and six months ended June 30, 2018 or 2017.

All equity awards, apart from incentive compensation under the Management Agreement, are discretionary in nature and subject to approval by the compensation committee of the Company's Board.

[\(Back to Index\)](#)

33

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

NOTE 13 - EARNINGS PER SHARE

The following table presents a reconciliation of basic and diluted earnings (losses) per share for the periods presented as follows (in thousands, except share and per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income from continuing operations	\$9,189	\$ 12,568	\$9,052	\$ 21,742
Net income allocated to preferred shares	(2,587)	(6,015)	(7,797)	(12,029)
Consideration paid in excess of carrying value of preferred shares	—	—	(7,482)	—
Net loss allocable to non-controlling interest, net of taxes	—	95	—	196
Net income (loss) from continuing operations allocable to common shares	6,602	6,648	(6,227)	9,909
Net loss from discontinued operations, net of tax	(450)	(4,184)	(203)	(4,745)
Net income (loss) allocable to common shares	\$6,152	\$ 2,464	\$(6,430)	\$ 5,164
Net income (loss) per common share - basic:				
Weighted average number of shares outstanding	31,215,598	30,820,442	31,163,859	30,786,527
Continuing operations	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
Discontinued operations	(0.01)	(0.14)	(0.01)	(0.15)
Net income (loss) per common share - basic	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
Net income (loss) per common share - diluted:				
Weighted average number of shares outstanding	31,215,598	30,820,442	31,163,859	30,786,527
Additional shares due to assumed conversion of dilutive instruments	186,412	200,484	—	181,313
Adjusted weighted-average number of common shares outstanding	31,402,010	31,020,926	31,163,859	30,967,840
Continuing operations	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
Discontinued operations	(0.01)	(0.14)	(0.01)	(0.15)
Net income (loss) per common share - diluted	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
Potentially dilutive shares excluded from calculation due to anti-dilutive effect ⁽¹⁾	14,885,296	16,002,859	14,885,296	16,002,859

Potentially dilutive shares issuable in connection with the potential conversion of the Company's 4.50% convertible senior notes due 2022 ("4.50% Convertible Senior Notes"), 6.00% convertible senior notes due 2018 ("6.00% (1) Convertible Senior Notes") and 8.00% convertible senior notes due 2020 ("8.00% Convertible Senior Notes") (see Note 10) were not included in the calculation of diluted net income (loss) per share because the effect would be anti-dilutive.

NOTE 14 - ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in each component of accumulated other comprehensive income for the six months ended June 30, 2018 (in thousands):

	Net Unrealized Gain on Derivatives	Net Unrealized Gain (Loss) on Investment Securities Available-for-Sale	Accumulated Other Comprehensive Income (Loss)
--	---	--	--

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Balance at January 1, 2018	\$ 602	\$ 695	\$ 1,297
Other comprehensive income (loss) before reclassifications	1,604	98	1,702
Amounts reclassified from accumulated other comprehensive income (1)	—	217	217
Balance at June 30, 2018	\$ 2,206	\$ 1,010	\$ 3,216

Amounts reclassified from accumulated other comprehensive income are reclassified to net realized and unrealized (1) gain on investment securities available-for-sale and loans and derivatives on the Company's consolidated statements of operations.

(Back to Index)

34

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

NOTE 15 - RELATED PARTY TRANSACTIONS

Relationship with C-III and Certain of its Subsidiaries. Resource America is a wholly-owned subsidiary of C-III, a leading CRE investment management and services company engaged in a broad range of activities, including primary and special loan servicing, loan origination, fund management, CDO management, principal investment, zoning due diligence, investment sales and multifamily property management. C-III is indirectly controlled and partially owned by Island Capital Group LLC ("Island Capital"), of which Andrew L. Farkas, the Company's Chairman, is the managing member. Mr. Farkas is also chairman and chief executive officer of C-III. In addition, Robert C. Lieber, the Company's Chief Executive Officer, is an executive managing director of both C-III and Island Capital. Matthew J. Stern, the Company's President, is a senior managing director of both C-III and Island Capital. Jeffrey P. Cohen, who is a member of the Company's Board, is an executive managing director of C-III and president of Island Capital. Those officers and the Company's other executive officers are also officers of the Company's Manager, Resource America, C-III and/or affiliates of those companies. At June 30, 2018, C-III indirectly beneficially owned 766,718, or 2.4%, of the Company's outstanding common shares.

The Company has a Management Agreement with the Manager, amended and restated on December 14, 2017, pursuant to which the Manager provides the day-to-day management of the Company's operations and receives substantial fees. For the three and six months ended June 30, 2018, the Manager earned base management fees of approximately \$2.8 million and \$5.6 million, respectively. For the three and six months ended June 30, 2017, the Manager earned base management fees of \$2.6 million and \$5.2 million, respectively. No incentive management fees were earned for the three and six months ended June 30, 2018 and 2017. At June 30, 2018 and December 31, 2017, \$938,000 and \$1.0 million, respectively, of base management fees were payable by the Company to the Manager. The Manager and its affiliates provide the Company with a Chief Financial Officer and a sufficient number of additional accounting, finance, tax and investor relations professionals. The Company reimburses the Manager's and its affiliates' expenses for (a) the wages, salaries and benefits of the Chief Financial Officer, (b) a portion of the wages, salaries and benefits of accounting, finance, tax and investor relations professionals, in proportion to such personnel's percentage of time allocated to the Company's operations, and (c) personnel principally devoted to the Company's ancillary operating subsidiaries. The Company reimburses out-of-pocket expenses and certain other costs incurred by the Manager and its affiliates that relate directly to the Company's operations. For the three and six months ended June 30, 2018, the Company reimbursed the Manager \$1.9 million and \$2.3 million, respectively, for all such compensation and costs. For the three and six months ended June 30, 2017, the Company reimbursed the Manager \$1.1 million and \$3.0 million, respectively, for all such compensation and costs. At June 30, 2018 and December 31, 2017, the Company had payables to Resource America and its subsidiaries pursuant to the Management Agreement aggregating approximately \$463,000 and \$629,000, respectively. The Company's base management fee payable and expense reimbursements payable are recorded in management fee payable and accounts payable and other liabilities on the consolidated balance sheets, respectively.

At June 30, 2018, the Company retained equity in seven securitizations that were structured for the Company by the Manager, although three of the securitizations had been substantially liquidated as of June 30, 2018. Under the Management Agreement, the Manager was not separately compensated by the Company for executing these transactions and is not separately compensated for managing the securitization entities and their assets.

Relationship with LCC. LCC, a former subsidiary of Resource America in which the Company owned a minority interest, originated and managed equipment leases and notes on behalf of the Company. In November 2011, the Company, together with LEAF Financial (which is a subsidiary of Resource America) and LCC, entered into a securities purchase agreement with Eos Partners, L.P. and certain of its affiliates. In July 2017, the Company sold its equity interests in LCC and received cash proceeds of \$84.3 million and, as a result, LCC is no longer considered a related party. For the three and six months ended June 30, 2018, the Company did not record any income in respect of

its equity interests in LCC. For the three and six months ended June 30, 2017, the Company recorded income of \$122,000 and \$288,000, respectively, in equity in earnings (losses) of unconsolidated entities on its consolidated statements of operations in respect of its equity interests in LCC.

[\(Back to Index\)](#)

35

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

Relationship with CVC Credit Partners. In April 2012, ACM, a former subsidiary of Resource America, was sold to CVC Credit Partners, a joint venture entity in which Resource America indirectly owned a 24% interest through August 2017. CVC Credit Partners managed externally originated syndicated corporate loans on the Company's behalf. In February 2011, one of the Company's subsidiaries purchased 100% of the ownership interests in Churchill Pacific Asset Management LLC ("CPAM") from Churchill Financial Holdings LLC for \$22.5 million. CPAM subsequently changed its name to RCAM. Through RCAM, the Company was entitled to collect senior, subordinated and incentive fees related to five CLOs holding approximately \$1.9 billion in assets managed by RCAM. RCAM was assisted by CVC Credit Partners in managing these CLOs. CVC Credit Partners is entitled to 10% of all subordinated fees and 50% of the incentive fees received by RCAM. For each of the three and six months ended June 30, 2018, CVC Credit Partners earned subordinated and incentive fees totaling \$119,000. For the three and six months ended June 30, 2017, CVC Credit Partners earned subordinated and incentive fees totaling \$775,000 and \$1.3 million, respectively, netted in other revenue on the Company's consolidated statements of operations. The Company did not record any impairment on the related intangible assets of these CLOs during the six months ended June 30, 2018, and it recorded \$177,000 of impairment during the six months ended June 30, 2017. The CLOs were liquidated in February 2013, January 2016, September 2016 and February 2017. At June 30, 2018 and December 31, 2017, the Company no longer had any investment in RCAM. C-III sold its interest in CVC Credit Partners in August 2017, and, as a result, CVC Credit Partners is no longer considered a related party of the Company.

Relationship with LTCC Funding. In December 2012, the Board authorized the Company to reimburse Resource America for costs incurred related to the Company's life care business, LTCC Funding. In December 2016, the Board authorized a reimbursement of \$250,000 for fiscal year 2017, paid quarterly, of which \$62,000 and \$124,000 was incurred during the three and six months ended June 30, 2017. At December 31, 2017, \$63,000 of authorized reimbursements were payable by the Company to Resource America and paid in January 2018. The annual reimbursement was not renewed for fiscal year 2018.

Relationship with Resource Real Estate, LLC. Resource Real Estate, LLC ("Resource Real Estate"), an indirect wholly-owned subsidiary of Resource America and C-III, originates, finances and manages the Company's CRE loan portfolio. The Company reimburses Resource Real Estate for loan origination costs associated with all loans originated. At June 30, 2018 and December 31, 2017, the Company had receivables from Resource Real Estate for loan deposits of \$285,000 and \$185,000, respectively.

Resource Real Estate serves as special servicer for the following five real estate securitization transactions, which provide financing for CRE loans: (i) RCC CRE Notes 2013, a \$307.8 million securitization that closed in December 2013; (ii) RCC 2014-CRE2, a \$353.9 million securitization that closed in July 2014; (iii) RCC 2015-CRE3, a \$346.2 million securitization that closed in February 2015; (iv) RCC 2015-CRE4, a \$312.9 million securitization that closed in August 2015; and (v) RCC 2017-CRE5, a \$376.7 million securitization that closed in July 2017. With respect to each specially serviced mortgage loan, Resource Real Estate receives a special servicing fee, payable monthly and on an asset-by-asset basis, equal to the product of (a) the special servicing fee rate, 0.25% per annum, multiplied by (b) the outstanding principal balance of such specially serviced mortgage loan. In December 2016 and August 2017, RCC CRE Notes 2013 and RCC 2014-CRE2, respectively, were liquidated and, as a result, the remaining assets were returned to RCC Real Estate in exchange for the Company's preference shares and equity notes in those securitizations.

Relationship with C3AM and C-III Commercial Mortgage. C3AM serves as the primary servicer for RCC 2017-CRE5 and XAN 2018-RSO6, a \$514.2 million securitization that closed in June 2018, and receives a servicing fee, payable monthly and on an asset-by-asset basis, equal to the product of (a) the servicing fee rate, 0.05% per annum, multiplied by (b) the outstanding principal balance of each mortgage loan for each securitization. C3AM serves as special servicer for XAN 2018-RSO6, under which it receives a special servicing fee equal to the product of (a) the special

servicing fee rate, 0.25% per annum, multiplied by (b) the outstanding principal balance of such specially serviced mortgage loan, and C40. During the three and six months ended June 30, 2018, C3AM earned approximately \$67,000 and \$102,000, respectively, in servicing fees. The Company had payables to C3AM for approximately \$16,000 at June 30, 2018.

In October 2017, C-III Commercial Mortgage LLC contributed loans to collateralize the C40 securitization, amounting to 10.2% of the total collateral pool value to the securitization.

[\(Back to Index\)](#)

36

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

JUNE 30, 2018

(unaudited)

Relationship with RCM Global. In July 2014, the Company formed RCM Global Manager to invest in RCM Global, which held a portfolio of structured product securities that were liquidated in the second quarter of 2018. For the three and six months ended June 30, 2018, the Company recorded losses of \$6,000 and earnings of \$7,000, respectively, on its investment in RCM Global. For the three and six months ended June 30, 2017, the Company recorded losses of \$166,000 and \$170,000, respectively, on its investment in RCM Global. Earnings and losses on the investment in RCM Global are recorded in equity in earnings (losses) of unconsolidated entities on the consolidated statements of operations. At June 30, 2018, the Company's residual ownership interest in RCM Global was 63.8%, and the remainder was owned by subsidiaries and current and former employees of Resource America.

Relationship with Pelium Capital. The Company holds a partnership interest in Pelium Capital, a specialized credit opportunity fund managed by an indirect wholly-owned subsidiary of C-III that formerly held a portfolio of investment securities. For the three and six months ended June 30, 2018, the Company recorded earnings of \$75,000 and losses of \$230,000, respectively, on its investment in Pelium Capital. For the three and six months ended June 30, 2017, the Company recorded earnings of \$82,000 and losses of \$77,000, respectively, on its investment in Pelium Capital. Earnings and losses on the investment in Pelium Capital are recorded in equity in earnings (losses) of unconsolidated entities on the consolidated statements of operations. During the six months ended June 30, 2018 and 2017, the Company received proceeds of \$10.2 million and \$13.6 million as a result of the substantial liquidation of Pelium Capital's investments. The Company's investment balances in Pelium Capital were \$154,000 and \$10.5 million at June 30, 2018 and December 31, 2017, respectively. The Company held an 80.2% interest in Pelium Capital at June 30, 2018.

Relationship with Pearlmark Mezzanine Realty Partners IV. In June 2015, the Company committed to invest up to \$50.0 million in Pearlmark Mezz. The investment advisor of Pearlmark Mezz is Pearlmark Real Estate LLC ("Pearlmark Manager"), which was 50% owned by Resource America. The Company paid Pearlmark Manager management fees of 1.0% on its unfunded committed capital and 1.5% on its invested capital. The Company was entitled to a management fee rebate of 25% for the first year of the fund, which ended in June 2016. Resource America credited any such fees paid by the Company to Pearlmark Manager against the base management fee that the Company paid to the Manager. In May 2017, the Company sold its equity interest in Pearlmark Mezz for proceeds of \$16.2 million, and, as a result, ceased to have any further investment in or commitment to Pearlmark Mezz. As a result, Pearlmark Mezz is no longer considered a related party.

NOTE 16 - DISTRIBUTIONS

For the quarters ended June 30, 2018 and 2017, the Company declared and subsequently paid dividends of \$0.10 and \$0.05 per common share, respectively.

In order to qualify as a REIT, the Company must currently distribute at least 90% of its taxable income. In addition, the Company must distribute 100% of its taxable income in order to not be subject to corporate federal income taxes on retained income. The Company anticipates it will distribute substantially all of its taxable income to its stockholders. Because taxable income differs from cash flow from operations due to non-cash revenues or expenses (such as provisions for loan and lease losses and depreciation), in certain circumstances the Company may generate operating cash flow in excess of its distributions or, alternatively, may be required to borrow funds to make sufficient distribution payments.

The Company's 2018 dividends are, and will be, determined by the Company's Board, which will also consider the composition of any dividends declared, including the option of paying a portion in cash and the balance in additional shares of common stock.

[\(Back to Index\)](#)

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
 JUNE 30, 2018
 (unaudited)

The following tables present dividends declared (on a per share basis) for the six months ended June 30, 2018 and year ended December 31, 2017 (and for the period from January 1, 2018 through March 26, 2018 with respect to the Company's Series B Preferred Stock):

Common Stock				Series A Preferred Stock			Series B Preferred Stock			Series C Preferred Stock		
	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share			
2018												
March 31	April 27	\$ 1,584	\$ 0.05	March 26	\$ 1,480	\$0.320830	N/A	N/A	N/A			
June 30	July 27	\$ 3,165	\$ 0.10	March 31	N/A	N/A	April 30	\$ 2,588	\$0.539063			
				June 30	N/A	N/A	July 30	\$ 2,588	\$0.539063			
2017												
March 31	April 27	\$ 1,568	\$ 0.05	March 31	N/A	N/A						
June 30	July 28	\$ 1,567	\$ 0.05									
September 30	October 27	\$ 1,566	\$ 0.05									
December 31	January 26, 2018	\$ 1,572	\$ 0.05									