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

FORM 10-K

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from to

Commission File Number: 001-35808

READY CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**90-0729143**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(212) 257-4600
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	RC	New York Stock Exchange
7.00% Convertible Senior Notes due 2023	RCA	New York Stock Exchange
6.50% Senior Notes due 2021	RCP	New York Stock Exchange
6.20% Senior Notes due 2026	RCB	New York Stock Exchange
5.75% Senior Notes due 2026	RCC	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.Yes ☒ No ☐

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

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $359.0 million based on the closing sales price of the registrant's common stock on June 30, 2020 as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The registrant has 54,434,578 shares of common stock, par value $0.0001 per share, outstanding as of March 15, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2021 annual meeting of stockholders are incorporated by reference into Part III of this annual report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

Except where the context suggests otherwise, the terms "Company," "we," "us" and "our" refer to Ready Capital Corporation and its subsidiaries. We make forward-looking statements in this annual report on Form 10-K within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our operations, financial condition, liquidity, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "could," "would," "may," "potential" or other comparable terminology, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- our investment objectives and business strategy;
- our ability to borrow funds or otherwise raise capital on favorable terms;
- our expected leverage;
- our expected investments;
- estimates or statements relating to, and our ability to make, future distributions;
- our ability to complete the contemplated acquisition of Anworth Mortgage Asset Corporation, or Anworth, and achieve the expected revenue synergies, cost savings and other benefits from the Anworth acquisition;
- our ability to compete in the marketplace;
- the availability of attractive risk-adjusted investment opportunities in small to medium balance commercial loans ("SBC loans"), loans guaranteed by the U.S. Small Business Administration (the "SBA") under its Section 7(a) loan program (the "SBA Section 7(a) Program"), mortgage backed securities ("MBS"), residential mortgage loans and other real estate-related investments that satisfy our investment objectives and strategies;
- market, industry and economic trends;
- recent market developments and actions taken and to be taken by the U.S. Government, the U.S. Department of the Treasury ("Treasury") and the Board of Governors of the Federal Reserve System, the Federal Depositary Insurance Corporation, the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac" and together with Fannie Mae, the "GSEs"), the Government National Mortgage Association ("Ginnie Mae"), Federal Housing Administration ("FHA") Mortgagee, U.S. Department of Agriculture ("USDA"), U.S. Department of Veterans Affairs ("VA") and the U.S. Securities and Exchange Commission ("SEC");
- mortgage loan modification programs and future legislative actions;
- our ability to maintain our qualification as a real estate investment trust ("REIT");
- our ability to maintain our exemption from qualification under the Investment Company Act of 1940, as amended (the "1940 Act" or "Investment Company Act");
- projected capital and operating expenditures;
- availability of qualified personnel;
- prepayment rates; and
- projected default rates.

Our beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control, including:

- factors described in this annual report on Form 10-K, including those set forth under the captions "Risk Factors" and "Business";
- applicable regulatory changes;
- risks associated with acquisitions, including the contemplated acquisition of Anworth;
- risks associated with achieving expected revenue synergies, cost savings and other benefits from acquisitions, including the contemplated acquisition of Anworth, and the increased scale of our Company;
- risks associated with our anticipated liquidation of certain assets within the portfolio of residential mortgage-backed securities and residential mortgage loans that we will own upon completion of our acquisition of Anworth;
- general volatility of the capital markets;
- changes in our investment objectives and business strategy;
- the availability, terms and deployment of capital;
- the availability of suitable investment opportunities;
- our dependence on our external advisor, Waterfall Asset Management, LLC ("Waterfall" or our "Manager"), and our ability to find a suitable replacement if we or our Manager were to terminate the management agreement we have entered into with our Manager;
- changes in our assets, interest rates or the general economy;
- the severity and duration of the novel coronavirus ("COVID-19") pandemic;
- the impact of COVID-19 on our business and operations, financial condition, results of operations, liquidity and capital resources;
- the impact of the COVID-19 pandemic on our borrowers, the real estate industry, and the United States and global economies;
- actions taken by governmental authorities to contain the COVID-19 pandemic or treat its impact;
- increased rates of default and/or decreased recovery rates on our investments;
- changes in interest rates, interest rate spreads, the yield curve or prepayment rates; changes in prepayments of our assets;
- limitations on our business as a result of our qualification as a REIT; and
- the degree and nature of our competition, including competition for SBC loans, MBS, residential mortgage loans and other real estate-related investments that satisfy our investment objectives and strategies.

Upon the occurrence of these or other factors, our business, financial condition, liquidity and consolidated results of operations may vary materially from those expressed in, or implied by, any such forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements apply only as of the date of this annual report on Form 10-K. We are not obligated, and do not intend, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. See Item 1A. "Risk Factors" of this annual report on Form 10-K.

RISK FACTOR SUMMARY

An investment in our securities involves a high degree of risk. You should carefully consider the risks summarized in Item 1A. "Risk Factors" of this annual report on Form 10-K. These risks include, but are not limited to, the following:

- We anticipate a significant portion of our investments will be in the form of SBC loans that are subject to increased risks;
- The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets;
- Some of the mortgage loans we will originate or acquire are loans made to self-employed borrowers who have a higher risk of delinquency and default, which could have a material and adverse effect on our business, results of operations and financial condition;
- New entrants in the market for SBC loan acquisitions and originations could adversely impact our ability to acquire SBC loans at attractive prices and originate SBC loans at attractive risk-adjusted returns;
- We cannot predict the unintended consequences and market distortions that may stem from far-ranging interventions in the financial system and oversight of financial markets;
- Maintenance of our 1940 Act exception imposes limits on our operations;
- Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in such rules, accounting interpretations or our assumptions could adversely impact our ability to timely and accurately prepare our consolidated financial statements;
- Provisions for credit losses under the Current Expected Credit Loss ("CECL") model are difficult to estimate;
- The ongoing COVID-19 pandemic has caused severe disruptions in the U.S. and global economy and to our business, and may continue to have an adverse impact on our performance, financial condition and results of operations;
- We depend on Waterfall and its key personnel for our success. We may not find a suitable replacement for Waterfall if the management agreement with Waterfall is terminated, or if key personnel leave the employment of Waterfall or otherwise become unavailable to us;
- There are various conflicts of interest in our relationship with Waterfall which could result in decisions that are not in the best interests of our stockholders;
- The termination of the management agreement may be difficult and require payment of a substantial termination fee or other amounts, including in the case of termination for unsatisfactory performance, which may adversely affect our inclination to end our relationship with Waterfall;
- Our Board of Directors will not approve each investment and financing decision made by Waterfall unless required by our investment guidelines;
- We use leverage as part of our investment strategy but we do not have a formal policy limiting the amount of debt we may incur. Our Board of Directors may change our leverage policy without stockholder consent;
- We may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition;
- Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments, which could reduce returns on our assets and adversely affect returns to our stockholders;
- The percentage of our assets represented by TRSs and the amount of our income that we can receive in the form of TRS dividends and interest are subject to statutory limitations that could jeopardize our REIT qualification and could limit our ability to acquire or force us to liquidate otherwise attractive investments;
- Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

PART I

Item 1. Business

General

We are a multi-strategy real estate finance company that originates, acquires, finances, and services SBC loans, SBA loans, residential mortgage loans, and to a lesser extent, MBS collateralized primarily by SBC loans, or other real estate-related investments. Our loans range in original principal amounts generally up to $35 million and are used by businesses to purchase real estate used in their operations or by investors seeking to acquire small multi-family, office, retail, mixed use or warehouse properties. Our origination and acquisition platforms consist of the following four operating segments:

- ***Acquisitions***. We acquire performing and non-performing SBC loans as part of our business strategy. We hold performing SBC loans to term, and we seek to maximize the value of the non-performing SBC loans acquired by us through borrower-based resolution strategies. We typically acquire non-performing loans at a discount to their unpaid principal balance ("UPB") when we believe that resolution of the loans will provide attractive risk-adjusted returns. We also acquire purchased future receivables through our Knight Capital LLC ("Knight Capital") platform.

- ***SBC Originations***. We originate SBC loans secured by stabilized or transitional investor properties using multiple loan origination channels through our wholly-owned subsidiary, ReadyCap Commercial, LLC ("ReadyCap Commercial"). These originated loans are generally held-for-investment or placed into securitization structures. Additionally, as part of this segment, we originate and service multi-family loan products under the Federal Home Loan Mortgage Corporation's Small Balance Loan Program ("Freddie Mac" and the "Freddie Mac program"). These originated loans are held for sale, then sold to Freddie Mac.

- ***SBA Originations, Acquisitions and Servicing***. We acquire, originate and service owner-occupied loans guaranteed by the SBA under its Section 7(a) loan program (the "SBA Section 7(a) Program") through our wholly-owned subsidiary, ReadyCap Lending, LLC ("ReadyCap Lending"). We hold an SBA license as one of only 14 non-bank Small Business Lending Companies ("SBLCs") and have been granted preferred lender status by the SBA. These originated loans are either held-for-investment, placed into securitization structures, or sold.

- ***Residential Mortgage Banking***. We operate our residential mortgage loan origination segment through our wholly-owned subsidiary, GMFS, LLC ("GMFS"). GMFS originates residential mortgage loans eligible to be purchased, guaranteed or insured by the Federal National Mortgage Association ("Fannie Mae"), Freddie Mac, Federal Housing Administration ("FHA"), U.S. Department of Agriculture ("USDA") and U.S. Department of Veterans Affairs ("VA") through retail, correspondent and broker channels. These originated loans are then sold to third parties, primarily agency lending programs.

Our objective is to provide attractive risk-adjusted returns to our stockholders, primarily through dividends and secondarily through capital appreciation. In order to achieve this objective, we continue to grow our investment portfolio and believe that the breadth of our full service real estate finance platform will allow us to adapt to market conditions and deploy capital to asset classes and segments with the most attractive risk-adjusted returns.

We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). So long as we qualify as a REIT, we are generally not subject to U.S. federal income tax on our net taxable income to the extent that we annually distribute all of our net taxable income to stockholders. We are organized in a traditional umbrella partnership REIT ("UpREIT") format pursuant to which we serve as the general partner of, and conduct substantially all of our business through Sutherland Partners, LP, or our operating partnership. We also intend to operate our business in a manner that will permit us to be excluded from registration as an investment company under the 1940 Act.

Our Manager

We are externally managed and advised by Waterfall, an SEC registered investment adviser. Formed in 2005, Waterfall specializes in acquiring, managing, servicing and financing SBC and residential mortgage loans, as well as asset backed securities ("ABS") and MBS. Waterfall has extensive experience in performing and non-performing loan acquisition, resolution and financing strategies. Waterfall's investment committee is chaired by Thomas Capasse and Jack Ross, who serve as our Chief Executive Officer and President, respectively. Messrs. Capasse and Ross, who are co-founders of Waterfall, each have over 30 years of experience in managing and financing a range of financial assets, including having executed the first public securitization of SBC loans in 1993, through a variety of credit and interest rate environments. Messrs. Capasse and Ross have worked together in the same organization for more than 30 years. They are supported by a team of approximately 150 investment and other professionals with extensive experience in commercial mortgage credit underwriting, distressed asset acquisition and financing, SBC loan originations, commercial property valuation, capital deployment, financing strategies and legal and financial matters impacting our business.

We rely on Waterfall's expertise to establish investment strategies and in identifying loan acquisitions and origination opportunities. Waterfall uses the data and analytics developed through its experience as an owner of SBC loans and in implementing loss mitigation actions to support our origination activities and to develop our loan underwriting standards. Waterfall makes decisions based on a variety of factors, including expected risk-adjusted returns, credit fundamentals, liquidity, availability of financing, borrowing costs and macroeconomic conditions, as well as maintaining our REIT qualification and our exclusion from registration as an investment company under the 1940 Act.

Our Investment Strategy and Market Opportunities Across Our Operating Segments

Our investment strategy is to opportunistically expand our market presence in our acquisition and origination segments and to further grow our SBC securitization capabilities which serve as a source of attractively priced, match-term financing. Capitalizing on our experience in underwriting and managing commercial real estate loans, we have grown our SBC and SBA origination and acquisition capabilities and selectively complimented our SBC strategy with residential agency mortgage originations. As such, we have become a full-service real estate finance platform and we believe that the breadth of our business allows us to adapt to market conditions and deploy capital in our asset classes with the most attractive risk-adjusted returns.

Our acquisition strategy complements our origination strategy by increasing our market intelligence in potential origination geographies, providing additional data to support our underwriting criteria and offering securitization market insight for various product offerings. The proprietary database on the causes of borrower default, loss severity, and market information that we developed from our SBC loan acquisition experience has served as the basis for the development of our SBC and SBA loan origination programs. Additionally, our origination strategy complements our acquisition strategy by providing additional captive refinancing options for our borrowers and further data to support our investment analysis while increasing our market presence with potential sellers of SBC assets.

The following table illustrates certain information with respect to our four business segments as of December 31, 2020.

	Acquisitions	SBC Originations	SBA Originations, Acquisitions and Servicing	Residential Mortgage Banking
Coordinating Affiliate / Manager	Waterfall, Knight Capital	ReadyCap Commercial	ReadyCap Lending	GMFS
Strategy	SBC loan acquisition, Purchased future receivables	SBC loan origination	SBA loan origination, acquisition and servicing	Residential mortgage origination and servicing
Gross Assets	$1.2 billion	$2.6 billion	$734.2 million	$626.0 million
% Equity Allocation	27.0%	60.3%	6.8%	5.9%
Personnel	316*	85	82	304

* Waterfall employees includes 169 employees of Knight Capital.

The commercial mortgage market is largely bifurcated by loan size between “large balance” loans and “small balance” loans. Large balance commercial loans typically include those loans with original principal balances of at least $40 million and are primarily financed by insurance companies and commercial mortgage backed securities (“CMBS”) conduits. SBC loans typically include those loans with original principal amounts of between $500,000 and $35 million and are primarily financed by community and regional banks, specialty finance companies and loans guaranteed under the SBA loan programs.

SBC loans are used by small businesses to purchase real estate used in their operations or by investors seeking to acquire small multi-family, office, retail, mixed use or warehouse properties. SBC loans represent a special category of commercial mortgage loans, sharing both commercial and residential mortgage loan characteristics. SBC loans are typically secured by first mortgages on commercial properties or other business assets, but because SBC loans are often correlated to local housing markets and economic environments, aspects of residential mortgage credit analysis are utilized in the underwriting process. Most SBC loans are fully amortizing on a schedule of up to 30 years.

Our investment decisions with respect to allocation of capital are dependent on prevailing market conditions and may change over time in response to opportunities available in different economic and capital market environments. As a result, we cannot predict the percentage of our equity that will be invested in any particular asset or strategy at any given time.

Our Loan Portfolio

The table below presents a summary of the sourcing of our loan assets as of December 31, 2020 (in thousands):

Loan Type [1]	Segment	UPB	% of Total UPB	Carrying Amount [2]	% of Total Carrying Amount
Acquired loans[3]	Acquisitions	$ 1,054,178	23.4 %	$ 1,049,459	23.4 %
Originated SBC loans[3]	SBC Originations	1,084,643	24.1	1,094,401	24.4
Originated Freddie Mac loans[4]	SBC Originations	50,408	1.1	51,248	1.1
Originated Transitional loans	SBC Originations	1,328,395	29.5	1,319,074	29.4
Originated PPP loans, at fair value	SBA Originations, Acquisitions and Servicing	74,931	1.7	74,931	1.7
Acquired SBA 7(a) loans	SBA Originations, Acquisitions and Servicing	262,571	5.8	243,220	5.4
Originated SBA 7(a) loans[4]	SBA Originations, Acquisitions and Servicing	396,825	8.8	389,394	8.7
Originated Residential Agency loans[4]	Residential Mortgage Banking	253,060	5.6	263,655	5.9
Total Loan portfolio		**$ 4,505,011**	**100.0 %**	**$ 4,485,382**	**100.0 %**

(1) Includes Loan assets of consolidated variable interest entities ("VIEs")
(2) Excludes specific and general allowance for loan losses
(3) Excludes real estate, held for sale
(4) Excludes MSR assets

The charts presented below illustrate additional information related to the geographic concentration, collateral concentration, and lien type of our loan portfolio:

Our Acquisitions Platform

Our acquisitions segment represents our investments in acquired SBC loans and purchased future receivables originated as part of our Knight Capital platform. We hold SBC loans to term, and we seek to maximize the value of the non-performing SBC loans acquired by us through proprietary loan reperformance programs. Where this is not possible, such as in the case of many non-performing loans, we seek to effect property resolution through the use of borrower based resolution alternatives to foreclosure.

Our Manager specializes in acquiring SBC loans that are sold by banks, including as part of bank recapitalizations or mergers, and from other financial institutions such as thrifts and non-bank lenders. Other sources of SBC loans include special servicers of large balance SBC ABS and CMBS trusts, the Federal Deposit Insurance Corporation, as receiver for failed banks, servicers of non-performing SBA Section 7(a) Program loans, and Community Development Companies originating loans under the SBA 504 program, GSEs, and state economic development authorities. Over the last several years, our Manager has developed relationships with many of these entities, primarily banks and their advisors. In many cases, we are able to acquire SBC loans through negotiated transactions, at times partnering with acquiring banks or private equity firms in bank acquisitions and recapitalizations. We believe that our Manager's experience, reputation and ability to underwrite SBC loans make it an attractive buyer for this asset class, and that its network of relationships will continue to produce opportunities for it to acquire SBC loans on attractive terms.

Competition for SBC loan asset acquisitions has been limited due to the special servicing expertise required to manage SBC loan assets due to the small size of each loan, the uniqueness of the real properties that collateralize the loans, licensing requirements, the high volume of loans needed to build portfolios, and the need to utilize residential mortgage credit analysis in the underwriting process. These factors have limited institutional investor participation in SBC loan acquisitions, which has allowed us to acquire SBC loans with attractive risk-adjusted return profiles.

The following table sets forth certain information as of December 31, 2020 related to our acquired loan portfolio (in thousands):

Contractual Status [1]		UPB	% of Total			Carrying Value [2]	% of Total
Current	$	981,042	93.0	%	$	978,859	93.4 %
30 - 59 days delinquent		7,711	0.7			7,729	0.7
60 + days delinquent		61,569	5.9			59,321	5.6
Bankruptcy / Foreclosure		3,856	0.4			3,550	0.3
Total	**$**	**1,054,178**	**100.0**	**%**	**$**	**1,049,459**	**100.0 %**

(1) Includes Loan assets of consolidated VIEs
(2) Excludes specific and general allowance for loan losses

Waterfall's extensive experience in securitization strategies for SBC loans dates to the first SBC ABS for performing loans and liquidating trusts for non-performing loans purchased from the Resolution Trust Corporation in 1993. We believe that in 2011, we were the first post-financial crisis issuer of SBC ABS and have since completed several SBC bond issuances backed by newly originated and acquired SBC and SBA 7(a) loan assets.

The following table summarizes our acquired loan securitization activities ($ in millions):

Deal Name	Asset Class	Issuance	Bonds Issued	Outstanding Balance	Weighted Average Debt Cost
WVMT 2011-SBC1	SBC Acquired Loans - NPL	February 2011	$ 40.5	$ -	7.0 %
WVMT 2011-SBC2	SBC Acquired Loans	March 2011	97.7	16.1	5.1
WVMT 2011-SBC3	SBC Acquired Loans - NPL	October 2011	143.4	-	6.4
SCML 2015-SBC4	SBC Acquired Loans - NPL	August 2015	125.4	-	4.0
SCMT 2017-SBC6	SBC Acquired Loans	August 2017	154.9	42.3	3.5
SCMT 2018-SBC7	SBC Acquired Loans	November 2018	217.0	107.0	4.7
SCMT 2019-SBC8	SBC Acquired Loans	June 2019	306.5	224.7	2.9
SCMT 2020-SBC9	SBC Acquired Loans	June 2020	203.6	162.3	3.7
Total			**$ 1,289.0**	**$ 552.4**	**4.2 %**

In the fourth quarter of 2019, we acquired Knight Capital. Knight is a technology-driven platform that provides working capital to small and medium sized businesses across the U.S. Through this platform, we provide working capital advances to these businesses through the purchase of their future revenues. We enter into a contract with the business whereby we pay the business an upfront amount in return for a specific amount of the business's future revenue receivables, known as payback amounts. The payback amounts are primarily received through daily payments initiated by automated clearing house transactions.

Our Loan Origination Platforms

We originate SBC loans generally ranging in initial principal amount of between $500,000 and $35 million, and typically with a duration of six years at origination. Our origination platform, which focuses on first mortgage loans, provides conventional SBC mortgage financing for stabilized and transitional SBC properties nationwide through the following programs:

- *Fixed mortgage loans*. Loans for the acquisition or refinancing of stabilized properties secured by traditional commercial properties such as multi-family, office, retail, mixed use or warehouse properties, which are often guaranteed by the property owners. The loans are typically amortizing and have maturities of five to twenty years.

- *Transitional loans*. Loans for the acquisition of properties requiring more substantial expenditures for stabilization, secured by traditional commercial properties such as multi-family, office, retail, mixed use or warehouse properties which may be guaranteed by the property owners. The loans are typically interest-only and have maturities of two to four years.

- *Freddie Mac loans.* Origination of loans ranging from $1 million to $7.5 million secured by multi-family properties through the recently launched Freddie Mac program. We sell qualifying loans to Freddie Mac, which, in turn, sells such loans to securitization structures.

- *SBA loans*. Loans secured by real estate, machinery, equipment and inventory that are guaranteed, typically 75% under the SBA Section 7(a) Programs. SBA loans include personal guarantees of the borrower and are typically amortizing and have maturities of seven to twenty-five years.

- *Residential Loans*. We are approved to originate and service Fannie Mae, Freddie Mac and Ginnie Mae eligible loans through the residential mortgage loan programs. These include prime, subprime and alternative-A and alternative-B mortgage loans, which may be adjustable-rate, hybrid and/or fixed-rate residential mortgage loans and pay option adjustable rate mortgage loans ("ARMs").

Our loan origination segments include: (i) SBC Originations (ii) SBA Originations and (iii) Residential Mortgage Originations.

SBC Originations. We operate our SBC loan originations segment through ReadyCap Commercial. ReadyCap Commercial is a specialty-finance nationwide originator focused on originating commercial real estate mortgage loans through its conventional, agency multi-family and transitional loan programs. The following table summarizes the loan features of ReadyCap Commercial's product types:

	HEAVY TRANSITIONAL	LIGHT TRANSITIONAL		STABILIZING	STABILIZED		
PRODUCT	BRIDGE	BRIDGE TO PERM	BRIDGE TO AGENCY	STRUCTURED FIXED RATE	CMBS DIRECT	CORRESPONDENT AGENCY	FREDDIE MAC SBL
LOAN PURPOSE	Vacant Rehabilitation Adaptive Re-Use Renovation Value Add	Renovation Lease Up Rent Optimization Event Driven Bridge to Near Term Refinance		Final Lease Up Seasoning Lease Expiration Prepay Flexibility Mid-Term Refinance	Cash Out Term Refinance Interest Rate Arbitrage Bridge Refinance Permanent Acquisition/Recapitalization		
LOAN SIZE	$5-45MM $45MM+ Portfolios	$2-45MM $45MM+ Portfolios	$1-100MM	$2-45MM	$2-45MM	$1-100MM	$1 - $7.5MM
MAX LEVERAGE	80% Loan-to-Cost	80% Loan-to-Cost		80% Loan-to-Value	80% Loan-to-Value		
TERM	Typically 3 Years Plus Extensions	Up to 3 Years Plus Extensions	Up to 2 Years Plus Extensions	2 – 10 Years	5, 7, 10 Years	Up to 30 Years	5, 7, 10 Years Hybrid: 20 Years
PREPAYMENT	Minimum Interest	Minimum Interest		Customized Declining Yield Maintenance	Defeasance Yield Maintenance	Declining Yield Maintenance	
RATE TYPE	Floating Rate Hybrid	Floating Rate Hybrid	Floating Rate Fixed Rate	Fixed Rate	Fixed Rate	Floating Rate Fixed Rate	Fixed Rate Hybrid
PROPERTY TYPE	Multifamily, Industrial, Office, Self-Storage, Essential Retail		Multifamily	All Property Types	Multifamily		

Through December 31, 2020, we have originated approximately $6.4 billion in SBC loans since Ready Capital's inception. The following chart summarizes our annual SBC loan originations since 2017:

As of December 31, 2020, our originated SBC loans held in our portfolio had a UPB and carrying value of approximately $2.5 billion. Our originated SBC loans, substantially all of which are currently classified as performing loans, represented approximately 54.7% of the UPB and 55.5% of the carrying value of our total loan portfolio as of December 31, 2020.

The following table summarizes our originated SBC loan securitization activities ($ in millions):

Deal Name	Asset Class	Issuance	Bonds Issued	Outstanding Balances	Weighted Average Debt Cost
RCMT 2014-1	SBC Originated Conventional	September 2014	$ 181.7	$ 25.7	3.2%
RCMT 2015-2	SBC Originated Conventional	November 2015	218.8	65.9	4.0%
FRESB 2016-SB11	Originated Agency Multi-family	January 2016	110.0	38.7	2.8%
FRESB 2016-SB18	Originated Agency Multi-family	July 2016	118.0	43.4	2.2%
RCMT 2016-3	SBC Originated Conventional	November 2016	162.1	54.5	3.4%
FRESB 2017-SB33	Originated Agency Multi-family	June 2017	197.9	141.6	2.6%
RCMF 2017-FL1	SBC Originated Transitional	August 2017	198.8	-	L + 139 bps
FRESB 2018-SB45	Originated Agency Multi-family	January 2018	362.0	295.7	2.8%
RCMT 2018-4	SBC Originated Conventional	March 2018	165.0	108.7	3.8%
RCMF 2018-FL2	SBC Originated Transitional	June 2018	217.1	110.2	L + 121 bps
FRESB 2018-SB52	Originated Agency Multi-family	September 2018	505.0	474.6	2.9%
FRESB 2018-SB56	Originated Agency Multi-family	December 2018	507.3	485.3	3.6%
RCMT 2019-5	SBC Originated Conventional	January 2019	355.8	267.2	4.1%
RCMF 2019-FL3	SBC Originated Transitional	April 2019	320.2	282.4	L + 133 bps
RCMT 2019-6	SBC Originated Conventional	November 2019	430.7	406.1	3.2%
RCMF 2020-FL4	SBC Originated Transitional	June 2020	405.3	405.3	L + 290 bps
KCMT 2020-S3	SBC Originated conventional	September 2020	263.2	262.8	5.3%
Total			**$ 4,718.9**	**$ 3,468.1**	**2.4%**

Additionally, ReadyCap Commercial has been approved by Freddie Mac as one of 12 originators and servicers for multi-family loan products under the Freddie Mac program. As of December 31, 2020, ReadyCap Commercial employs 85 people focused on originating and supporting the SBC loan origination business.

We believe that we have significant opportunity to originate SBC loans at attractive risk-adjusted returns. We believe that many banks have restrictive credit guidelines for our target assets. In addition, large banks are not focused on the SBC market and smaller banks only lend in specific geographies. We see an opportunity to earn an attractive risk spread premium by lending to borrowers that do not fit the credit guidelines of many banks. We believe that increased demand, coupled with the fragmentation of the SBC lending market, provides us with attractive opportunities to originate loans to borrowers with strong credit profiles and real estate collateral that supports ultimate repayment of the loans.

We expect to continue to source SBC loan originations through the following loan origination channels:

- *Direct and indirect lending relationships.* We will generate loan origination leads directly through our extensive relationships with commercial real estate brokers, bank loan officers and mortgage brokers that refer leads to our loan officers. To a lesser extent, we will also source loan leads through commercial real estate realtors, trusted advisors such as financial planners, lawyers, and certified public accountants ("CPAs") and through direct-to-the-borrower transactions.
- *Other direct origination sources for SBC loans.* From time to time, we may enter into strategic alliances and other referral programs with servicers, sub-servicers, strategic partners and vendors targeted at the refinancing of SBC loans.

SBA Origination, Acquisition and Servicing Platforms

We operate our SBA loan origination, acquisition, and servicing segment through ReadyCap Lending. We acquire, originate and service owner-occupied loans guaranteed by the SBA under the SBA Section 7(a) Program through ReadyCap Lending's license, one of only 14 licensed non-bank SBLCs. We believe investor demand for pass-through securities backed by the guaranteed portions of SBA Section 7(a) Program loans has been strong because the principal and interest payments are guaranteed by the full faith and credit of the U.S. Government. For this reason, we believe that SBA participating lenders that have sold the guaranteed portions of SBA Section 7(a) Program loans in recent years have been able to recognize attractive gains.

The SBA was created out of the Small Business Act in 1953. The SBA's function is to protect the interests of small businesses. The SBA classifies a small business as a business that is organized for profit and is independently owned and operating primarily within the United States with less than $15 million in tangible net worth and not more than $5 million in average after-tax net income. The SBA supports small businesses by administering several programs that provide loan guarantees against default on qualified loans made to eligible small businesses.

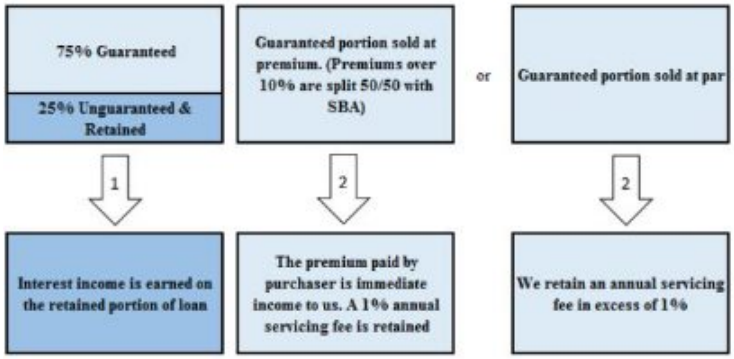
The SBA Section 7(a) Program is the SBA's primary program for providing financing for start-up and existing small businesses. The SBA typically guarantees 75% of qualified loans over $150,000. While the eligibility requirements of the SBA Section 7(a) Program vary depending on the industry of the borrower and other factors, the general eligibility requirements include the following: (i) gross sales of the borrower cannot exceed size standards set by the SBA (e.g., $30.0 million for limited service hospitality properties) or, alternatively, average net income cannot exceed $5.0 million for the most recent two fiscal years, (ii) liquid assets of the borrower and affiliates cannot exceed specified limits, (iii) tangible net worth of the borrower must be less than $15.0 million, (iv) the borrower must be a U.S. citizen or legal permanent resident and (v) the maximum aggregate SBA loan guarantees to a borrower cannot exceed $3.75 million. The table below provides information on the SBA Section 7(a) Program's key features, including its eligible uses, maximum loan amount, loan maturity, interest rate, guarantee fee, yearly fee and personal guarantee.

We are actively participating in the Paycheck Protection Program ("PPP") through the United States Department of the Treasury and SBA. PPP loans have: (a) an interest rate of 1.0%, (b) a five-year loan term to maturity for loans made on or after June 5, 2020 (loans made prior to June 5, 2020 have a two-year term, however borrowers and lenders may mutually agree to extend the maturity for such loans to five years); and (c) principal and interest payments deferred for six months from the date of disbursement. The SBA will guarantee 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP. These loans also earn an origination fee of 1% to 5%, depending on the loan size.

Key Feature	Program Summary
Use of Proceeds	Fixed assets, working capital, real estate, financing of start-up or to purchase an existing business. Some debt payment allowed but lender's loan exposure may not be reduced with the proceeds.
Maximum Loan Amount	$5,000,000
Maturity	25 years for equipment and real estate. All other loan purposes have a maximum term of ten years.
Interest Rate	Negotiated between applicant and lender and is subject to maximums. The current maximums are Prime Rate plus 2.25% for maturities fewer than seven years and Prime Rate plus 2.75% for maturities of seven years or longer. Spreads on loans with an initial UPB below $50,000 have higher maximums.
Guaranty Fee	Based on the loan's maturity and the dollar amount guaranteed. The lender initially pays the guaranty fee and has the option to pass the expense on to the borrower at closing. A fee of 0.25% of the guaranteed portion of the loan is charged for loans with maturities of 12 months or less. For loans with maturities over 12 months, the fees are 2% for loans of $150,000 or less; 3% for loans of $150,001 to $700,000; 3.5% for loans over $700,000; and 3.75% for guaranteed portion over $1 million.
Yearly Fee	The ongoing yearly fee due from lenders to SBA is 0.55% of the guaranteed portion of the outstanding balance on the 7(a) loan.
Personal Guarantee	Required from all owners of 20% or more of the equity of the business. Lenders can require personal guarantees of owners with less than 20% ownership.

Sources: SBA, Business Development Corporation, Office of the Comptroller of the Currency, Congressional Research Service

Our return on equity related to the SBA 7(a) program is generated through retained yield on the unguaranteed principal balance as well as sale premium and retained servicing on the guaranteed principal balance as displayed by the following:



The following table sets forth certain information as of December 31, 2020 related to our acquired and originated SBA 7(a) loan portfolio (in thousands):

Contractual Status [1]	UPB	% of Total	Carrying Value [2]	% of Total
Current	$ 710,231	96.8 %	$ 686,597	97.1 %
30 - 59 days delinquent	6,173	0.8	5,836	0.8
60 + days delinquent	17,169	2.3	14,911	2.1
Bankruptcy / Foreclosure	754	0.1	201	-
Total	**$ 734,327**	**100.0 %**	**$ 707,545**	**100.0 %**

(1) Includes loan assets of consolidated VIEs.
(2) Excludes specific and general allowance for loan losses.

We have originated more than $819.5 million in SBA loans since our program's inception in mid-2015 through December 31, 2020, excluding PPP loans. As of December 31, 2020, our originated SBA loans held in our loan portfolio had a UPB of $471.8 million and a carrying value of approximately $460.0 million.

The following table sets forth certain information as of December 31, 2020 related to our sale of originated SBA loans (in thousands):

Quarter	Proceeds Received for Sale of Guaranteed Portion of Loans	UPB Sold	Net Proceeds	Weighted Average Sales Premium [1]
Q1 2018	$ 33,647	$ 30,158	$ 3,487	11.6 %
Q2 2018	55,574	50,064	5,510	11.0
Q3 2018	35,086	31,995	3,091	9.7
Q4 2018	54,996	50,426	4,570	9.1
Q1 2019	43,582	39,759	3,823	9.6
Q2 2019	45,493	41,036	4,457	10.9
Q3 2019	29,302	26,409	2,893	11.0
Q4 2019	52,859	48,146	4,713	9.8
Q1 2020	51,964	47,427	4,537	9.6
Q2 2020	18,597	16,917	1,680	9.9
Q3 2020	44,367	39,635	4,732	11.9
Q4 2020	83,437	74,730	8,707	11.7
Three year total	**$ 548,904**	**$ 496,703**	**$ 52,200**	**10.5 %**

(1) Weighted average sales premiums are net after sharing any premiums above 10% with the SBA

We use the securitization markets to access term financing on the unguaranteed retained portion of the SBA 7(a) Program loans. The following table summarizes our SBA loan securitization activities ($ in millions):

Deal Name	Asset Class	Issuance	Bonds Issued	Outstanding Balances	Weighted Average Debt Cost
RCLT 2015-1	SBA 7(a) Loans	June 2015	$ 189.5	$ -	Lesser of L + 125 bps or Prime -150 bps
RCLT 2019-2	SBA 7(a) Loans	December 2019	131.0	103.0	L + 250 bps

Residential Mortgage Origination Platforms

GMFS currently originates loans that are eligible to be purchased, guaranteed or insured by Fannie Mae, Freddie Mac, FHA, VA and USDA through retail, correspondent and broker channels. GMFS is licensed in 18 states and provides a wide range of residential mortgage services, including home purchase financing, mortgage refinancing, reverse mortgages, new construction loans and condo financing. GMFS operates through 12 retail branches located in Louisiana, Georgia, Mississippi, Alabama, and Texas. GMFS employs both a servicing retained and servicing released execution strategy. During 2020, GMFS retained approximately 98% of loans originated. Our residential mortgage loan portfolio represented approximately 5.9% of the carrying value and 5.6% of the UPB of our total loan portfolio as of December 31, 2020. Our residential mortgage origination platform employed a total of 304 people as of December 31, 2020.

GMFS provides a residential origination platform to our sourcing capabilities, allowing access to new credit investment opportunities while controlling the origination process. We believe we can enhance and grow the GMFS origination platform through better access to capital and an expanded product offering. In addition, using this platform we intend to continue to invest in MSRs through retention and secondary market transactions and to selectively pursue new residential product offerings.

The following tables set forth certain historical information on our GMFS residential mortgage portfolio:

Residential Mortgage Banking - Portfolio Metrics

Originations	Unpaid principal balance	$4.2 billion
	% of Originations Purchased	42.7%
	% of Originations Refinanced	57.3%
	Channel - % Correspondent	34.9%
	Channel - % Retail	48.3%
	Channel - % Wholesale	16.8%
Sales	Unpaid principal balance	$4.2 billion
	% of UPB - Fannie/Freddie securitizations	77.8%
	% of UPB - Ginnie Mae securitizations	20.3%
	% of UPB – Other investors	1.9%

Our management team has extensive experience and an established track record of operating through multiple market cycles. We primarily originate, sell and service conventional, conforming agency and government insured residential mortgage loans originated or acquired through our three channels: retail, correspondent and wholesale. Our mortgage lending operation generates origination and processing fees, net of origination costs, at the time of origination as well as gains or unexpected losses when the loans are sold to third party investors, including the GSEs and Ginnie Mae. We retain servicing rights from the mortgage originations and earn servicing fees, net of sub-servicer costs, from our mortgage servicing portfolio.

We believe that we have a significant opportunity to expand our footprint within the mortgage banking industry through:

- Enhancement of our technology systems to drive further efficiency and customer satisfaction.
- Increased penetration of existing clients and through the addition of new branches and independent originators in our correspondent and wholesale channels.
- Opportunistic geographic expansion in our retail channel.

Our Loan Pipeline. We have a large and active pipeline of potential acquisition and origination opportunities that are in various stages of our investment process. We refer to assets as being part of our acquisition pipeline or our origination pipeline if:

- an asset or portfolio opportunity has been presented to us and we have determined, after a preliminary analysis, that the assets fit within our investment strategy and exhibit the appropriate risk/reward characteristics and
- in the case of acquired loans, we have executed a non-disclosure agreement ("NDA") or an exclusivity agreement and commenced the due diligence process or we have executed more definitive documentation, such as a letter of intent ("LOI"), and in the case of originated loans, we have issued an LOI, and the borrower has paid a deposit.

We operate in a competitive market for investment opportunities and competition may limit our ability to originate or acquire the potential investments in the pipeline. The consummation of any of the potential loans in the pipeline depends upon, among other things, one or more of the following: available capital and liquidity, our Manager's allocation policy, satisfactory completion of our due diligence investigation and investment process, approval of our Manager's Investment Committee, market conditions, our agreement with the seller on the terms and structure of such potential loan, and the execution and delivery of satisfactory transaction documentation. Historically, we have acquired less than a majority of the assets in our Manager's pipeline at any one time and there can be no assurance the assets currently in its pipeline will be acquired or originated by our Manager in the future. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations- Key Financial Measures and Indicators" included in this annual report on Form 10-K for further information on our acquisition and origination pipelines.

FINANCING STRATEGY

We use prudent leverage to increase potential returns to our stockholders. We finance the loans we originate primarily through securitization transactions, as well through other borrowings.

Our Manager's extensive experience in securitization strategies across asset classes has enabled us to complete several securitizations of SBC loan and SBA 7(a) loan assets since January 2011. SBC securitization structures are non-recourse and typically provide debt equal to 50% to 90% of the cost basis of the SBC assets. Non-performing SBC ABS involve liquidating trusts with liquidation proceeds used to repay senior debt. Performing SBC ABS involve longer-duration trusts with principal and interest collections allocated to senior debt and losses on liquidated loans to equity and subordinate tranches. Our strategy is to continue to finance our assets through the securitization market, which will allow us to continue to match fund the SBC loans pledged as collateral to secure these securitizations on a long-term non-recourse basis.

We anticipate using other borrowings as part of our financing strategy, including re-securitizations, repurchase agreements, warehouse facilities, bank credit facilities (including term loans and revolving facilities), and equity and debt issuances.

As of December 31, 2020, our committed and outstanding financing arrangements included:

($ in thousands)	Commitment	Carrying Value	Available	Maturity Dates
Secured borrowings (warehouse credit facilities and borrowings under repurchase agreements, excluding agency)	$ 2,210,181	$ 998,566	$ 1,211,615	2021 - 2023
Secured borrowings (agency)	600,222	371,953	228,269	2021 - 2022
Senior secured notes, net	179,659	179,659	—	2022
Corporate bonds, net	150,989	150,989	—	2021 - 2026
Convertible bonds, net	112,129	112,129	—	2023
Total recourse debt	**$ 3,253,180**	**$ 1,813,296**	**$ 1,439,884**	**2021 - 2026**
Securitized debt obligations, net	$ 1,905,749	$ 1,905,749	$ —	2021 - 2026 (a)
Total non-recourse debt	**$ 1,905,749**	**$ 1,905,749**	**$ —**	**2021 - 2026**

(a) Represents estimated pay off of debt based on prepayment speeds of underlying collateral.

Our financing agreements require the company to maintain a debt-to-equity leverage ratio at certain levels. The amount of leverage we may employ for particular assets will depend upon the availability of particular types of financing and our Manager's assessment of the credit, liquidity, price volatility and other risks of those assets and financing counterparties. We currently target a total debt-to-equity leverage ratio between 4:1 to 5:1 and a recourse debt-to-equity leverage ratio between 1.5:1 to 2.5:1. We believe that these target leverage ratios are conservative for these asset classes and exemplify the conservative levels of borrowings we intend to use over time. We intend to use leverage for the primary purpose of financing our portfolio and not for the purpose of speculating on changes in interest rates. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future, and we may be subject to margin calls as a result of its financing activity.

As of December 31, 2020, we had a leverage ratio of 2.2x on a recourse debt-to-equity ratio consisting of 1.2x on warehouse credit facilities and borrowings under repurchase agreements, excluding agency, 0.5x on corporate debt and 0.5x on agency secured borrowings.

HEDGING STRATEGY

Subject to maintaining our qualification as a REIT, we may use derivative financial instruments (or hedging instruments), including interest rate swap agreements, interest rate cap agreements, options on interest rate swaps, or swaptions, financial futures, structured credit indices, and options in an effort to hedge the interest rate and credit spread risk associated with the financing of our portfolio. Specifically, we attempt to hedge our exposure to potential interest rate mismatches between the interest we earn on our assets and our borrowing costs caused by fluctuations in short-term interest rates, and we intend to hedge our SBC loan originations from the date the interest rate is locked until the loan is included in a securitization. The Company also uses derivative instruments to limit its exposure to changes in currency rates in respect of certain investments denominated in foreign currencies.

We also use hedging instruments in connection with our residential mortgage loan origination platform in an attempt to offset some of the impact of prepayments on our loans. In particular, we use MBS forward sales contracts to manage the interest rate price risk associated with the interest rate lock commitments we make with potential borrowers. In utilizing leverage and interest rate hedges, our objectives include, where desirable, locking in, on a long-term basis, a spread between the yield on our assets and the cost of our financing in an effort to improve returns to our stockholders. We will undertake to hedge our originated loan inventory pending securitization with respect to changes in securitization liability cost resulting from both changes in benchmark treasuries and credit spreads. Hedges are periodically re-balanced to match expected duration of the securitization and are closed at securitization issuance with the resulting gain or loss allocated to the retained basis in the securitization with the objective of protecting the yield for the aforementioned changes in securitization liabilities.

CORPORATE GOVERNANCE

We strive to maintain an ethical workplace in which the highest standards of professional conduct are practiced.

- Our board of directors is composed of a majority of independent directors. The Audit, Nominating and Corporate Governance and Compensation Committees of our board of directors are composed exclusively of independent directors.

- In order to foster the highest standards of ethics and conduct in all business relationships, we have adopted a Code of Conduct and Ethics policy, which covers a wide range of business practices and procedures, that applies to our officers, directors, employees, if any, and independent contractors, to our Manager and our Manager's officers and employees, and to any of our affiliates or affiliates of our Manager, and such affiliates' officers and employees, who provide services to us or our Manager in respect of our Company. In addition, we have implemented Whistleblowing Procedures for Accounting and Auditing Matters and Code of Conduct and Ethics Violations (the "Whistle-blower Policy") that set forth procedures by which any Covered Persons (as defined in the Whistle-blower Policy) may raise, on a confidential basis, concerns regarding, among other things, any questionable or unethical accounting, internal accounting controls or auditing matters and any potential violations of the Code of Conduct and Ethics with our Audit Committee or the Chief Compliance Officer.

- We have adopted an Insider Trading Policy for Trading in the Securities of our Company (the "Insider Trading Policy"), that governs the purchase or sale of our securities by any of our directors, officers, and associates (as defined in the Insider Trading Policy), if any, and independent contractors, as well as officers and employees of our Manager and our officers, employees and affiliates, and that prohibits any such persons from buying or selling our securities on the basis of material non-public information.

COMPETITION

We compete with numerous regional and community banks, specialty-finance companies, savings and loan associations and other entities, and we expect that others may be organized in the future. The effect of the existence of additional REITs and other institutions may be increased competition for the available supply of SBC and SBA assets suitable for purchase, which may cause the price for such assets to rise. Additionally, origination of SBC loans, SBA loans and residential agency loans by our competitors may increase the availability of these loans, which may result in a reduction of interest rates on these loans.

In the face of this competition, we expect to have access to our Manager's professionals and their industry expertise, which may provide us with a competitive advantage in sourcing transactions and help it assess acquisition and origination risks and determine appropriate pricing for potential assets. Additionally, we believe that we are currently one of only a handful of active market participants in the secondary SBC loan market. Due to the special servicing expertise needed to effectively

manage these assets, the small size of each loan, the uniqueness of the real properties that collateralize the loans and the need to bring residential mortgage credit analysis into the underwriting process, we expect a competitive demand for these assets to remain constrained. We seek to manage credit risk through our loan-level pre-origination or pre-acquisition due diligence and underwriting processes, which as of December 31, 2020 has limited the amount of realized losses. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, see "Item 1A - Risk Factors – Risks Related to Our Business – New entrants in the market" for SBC loan acquisitions and originations could adversely impact our ability to acquire SBC loans at attractive prices and originate SBC loans at attractive risk-adjusted returns.

HUMAN CAPITAL MANAGEMENT

We are managed by Waterfall pursuant to the management agreement with Waterfall. Our Chief Financial Officer and Chief Operating Officer are dedicated exclusively to us, along with several of Waterfall's accounting professionals, a marketing professional, and an information technology professional who are also dedicated primarily to us. We or Waterfall may in the future hire additional personnel that may be dedicated to our business. However, other than our Chief Financial Officer and Chief Operating Officer, Waterfall is not obligated under the management agreement to dedicate any of its personnel exclusively to our business, nor is it or its personnel obligated to dedicate any specific portion of its or their time to our business. Accordingly, with the exception of our Chief Financial Officer and Chief Operating Officer, our executive officers are not required to devote any specific amount of time to our business. We are responsible for the costs of our own employees. In our recruitment efforts, we strive to have a diverse group of candidates to consider for roles. Our Manager and we invest heavily in developing and supporting our employees throughout their careers. We strive to maintain a work environment that fosters professionalism, high standards of business ethics, teamwork and cooperation. In fiscal 2020, as a result of the COVID-19 pandemic, our workforce primarily worked remotely and our Manager instituted safety protocols to enable certain employees to work on site when needed. With the exception of our ReadyCap Commercial, ReadyCap Lending, Knight Capital, and GMFS subsidiaries, which will employ their own personnel, we do not expect to have our own employees. Our corporate headquarters are located at 1251 Avenue of the Americas, 50th Floor, New York, NY 10020, and our telephone number is (212) 257-4600.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Set forth below are the name, age, position in the Company and certain biographical information for our executive officers and other key personnel.

Thomas E. Capasse, 64 is the Chairman of the Board of Directors and Chief Executive Officer. He is a Manager and co-founder of our Manager. Prior to founding Waterfall, Mr. Capasse managed the principal finance groups at Greenwich Capital from 1995 until 1997, Nomura Securities from 1997 until 2001, and Macquarie Securities from 2001 until 2004. Mr. Capasse has significant and long-standing experience in the securitization market as a founding member of Merrill Lynch's ABS Group (1983 – 1994) with a focus on MBS transactions (including the initial Subprime Mortgage and Manufactured Housing ABS) and experience in many other ABS sectors. Mr. Capasse began his career as a fixed income analyst at Dean Witter and Bank of Boston. Mr. Capasse received a Bachelor of Arts degree in Economics from Bowdoin College in 1979.

Jack J. Ross, 64 is the President and member of our Board of Directors. He is a Manager and co-founder of our Manager. Prior to founding Waterfall in January 2005, Mr. Ross was the founder of Licent Capital, a specialty broker/dealer for intellectual property securitization. From 1987 until 1999, Mr. Ross was employed by Merrill Lynch where he managed the real estate finance and ABS groups. Mr. Ross began his career at Drexel Burnham Lambert where he worked on several of the early ABS transactions and at Laventhol & Horwath where he served as a senior auditor. Mr. Ross received a Master of Business Administration degree in Finance with distinction from the University of Pennsylvania's Wharton School of Business in 1984 and a Bachelor of Science degree in Accounting, cum laude, from the State University of New York at Buffalo in 1978.

Thomas Buttacavoli, **44** is the Chief Investment Officer and Portfolio Manager of our SBC loan portfolio. He is a Manager, Managing Director and co-founder of our Manager. Prior to joining Waterfall in 2005, Mr. Buttacavoli was a Structured Finance Analyst specializing in intellectual property securitization at Licent Capital. Prior to joining Licent Capital, he was a Strategic Planning Analyst at BNY Capital Markets. Mr. Buttacavoli started his career as a Financial Analyst within Merrill Lynch's Partnership Finance Group. Mr. Buttacavoli received a Bachelor of Arts degree in Finance and Accounting from New York University's Stern School of Business in 1999.

Andrew Ahlborn, 37 is the Chief Financial Officer. Mr. Ahlborn joined our Manager in 2010 and has been the Controller of Ready Capital since 2015. Prior to joining our Manager, he worked in Ernst & Young, LLP's Financial Services Office. Mr. Ahlborn received a Bachelor of Science degree in Accounting from Fordham University's Gabelli School of Business and a Master of Business Administration through Columbia Business School. He is a licensed Certified Public Accountant in New York.

Gary T. Taylor, **62** is the Chief Operating Officer. Prior to joining the Company, Mr. Taylor served as President and Chief Operating Officer of Newtek Business Credit from May 2015 to March 2019. From 2013 to 2015, Mr. Taylor was Managing Director at Brevet Capital Management, and before that he was Chief Operating Officer of CIT Small Business Lending from 2007 to 2013. Earlier in his career, Mr. Taylor held numerous roles within the financial services industry including Lehman Brothers, Moody's Investor Service, AT&T Capital Corporation, Resolution Trust Corporation, First Chicago Bank & Trust, and Chase Manhattan Bank. Mr. Taylor received a Bachelor of Science degree, with Honors, in Business from Florida A&M University.

RECENT DEVELOPMENTS

On December 6, 2020, we, Anworth, and RC Merger Subsidiary, LLC, a Delaware limited liability company and a wholly owned subsidiary of Ready Capital ("Merger Sub"), entered into an Agreement and Plan of Merger, or the Merger Agreement, pursuant to which, subject to the terms and conditions therein, Anworth will be merged with and into Merger Sub, with Merger Sub remaining as a wholly owned subsidiary of us (such surviving company, the "Surviving Company" and such transaction, the "Merger"). Following the consummation of the Merger, the Surviving Company will be contributed to the Operating Partnership in exchange for additional partnership units.

The Merger with Anworth, a specialty finance company that focuses primarily on residential mortgage-backed securities and residential loans that are either rated "investment grade" or are guaranteed by federally sponsored enterprises, is expected to substantially increase our capital base and equity capitalization, which we believe will support the continued growth of our diversified platform and execution of our strategy. We believe that the Merger will provide us with improved scale, liquidity and capital alternatives, as well as increased portfolio diversification and potential cost savings and efficiencies over time resulting from the allocation of operating expenses over a larger portfolio. Our underwriting of the Merger with Anworth suggests that following the completion of the Merger, based on expected market conditions at such time, our book value will be in excess of $1 billion. Following the completion of the Merger, we currently intend to manage the liquidation and runoff of certain assets within the Anworth portfolio and repay certain indebtedness on the Anworth portfolio, and to redeploy the capital into opportunities in our core SBC strategies and other assets that we expect will generate attractive risk-adjusted returns and long-term earnings accretion. We currently expect that the Merger will close as soon as the first quarter of 2021, subject to the respective approvals of our stockholders and Anworth's stockholders and other customary closing conditions.

Concurrently with entering into the Merger Agreement, we, Sutherland Partners, LP and Waterfall Asset Management, LLC entered into the First Amendment to the Amended and Restated Management Agreement (the "Amendment"), to amend the Amended and Restated Management Agreement, dated May 9, 2016 (the "Management Agreement"). The Amendment provides that, contingent upon the closing of the Merger, the Manager's base management fee will be reduced by $1,000,000 per quarter for each of the first full four quarters following the effective time of the Merger (the "Temporary Fee Reduction"). Other than the Temporary Fee Reduction set forth in the Amendment, the terms of the Management Agreement remain the same.

Subsequent to December 31, 2020, we completed the issuance of a public offering of $201.3 million in 5.75% senior notes due 2026 on February 10, 2021. We intend to use the net proceeds from the offering to redeem all of the outstanding 2021 Notes. We intend to use the remainder of the net proceeds for general business purposes, including to fund our small balance commercial origination and acquisition pipelines.

AVAILABLE INFORMATION

We maintain a website at www.readycapital.com and will make available, free of charge, on our website (a) our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (including any amendments thereto), proxy statements and other information (collectively, "Company Documents") filed with, or furnished to, the SEC, as soon as reasonably practicable after such documents are so filed or furnished, (b) Corporate Governance Guidelines, (c) Director Independence Standards, (d) Code of Conduct and Ethics and (e) written charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of the board of directors. Company Documents filed with, or furnished to, the SEC are also available for review and copying by the public at the SEC's website at www.sec.gov. We provide copies of our Corporate Governance Guidelines and Code of Conduct and Ethics, free of charge, to stockholders who request such documents. Requests should be directed to Jacques Cornet, ICR, Inc., at 685 Third Avenue, 2nd Floor, New York, NY 10017.

Item 1A. Risk Factors

Our business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect our business, financial condition, consolidated results of operations and ability to make distributions to stockholders and could cause the value of our capital stock to decline. Please refer to the section entitled "Forward-Looking Statements."

Risks Related to Our Business

Difficult conditions in the mortgage, residential and commercial real estate markets, or in the financial markets and the economy generally, including recent market volatility and the outbreak of a novel coronavirus ("COVID-19"), may cause us to experience market losses related to our holdings, and there is no assurance that these conditions will improve in the near future.

Our results of operations are materially affected by conditions in the mortgage market, the residential and commercial real estate markets, the financial markets and the economy generally. Difficult market conditions, as well as inflation, energy costs, geopolitical issues, health epidemics and outbreaks of contagious diseases, such as the recent outbreak of COVID-19, unemployment and the availability and cost of credit, can contribute to increased volatility and diminished expectations for the economy and markets. Since the onset of the global financial crisis, the U.S. mortgage market has been severely affected by changes in the lending landscape and has experienced defaults, credit losses and significant liquidity concerns, and there is no assurance that these conditions have fully stabilized or that existing conditions will not worsen. This is especially true in the SBC loan sector. Disruptions in mortgage markets negatively impact new demand for real estate. Further, disruptions in the broader financial markets, including due to the occurrence of unforeseen or catastrophic events such as the outbreak of COVID-19 or other widespread health emergencies or terrorist attacks, could adversely affect our business and operations. Any such disruption could adversely impact our ability to raise capital, cause increases in borrower defaults and decreases in the value of our assets, cause continued interest rate volatility and movements that could make obtaining financing or refinancing our debt obligations more challenging or more expensive, and could lead to operational difficulties that could impair our ability to manage our business. A deterioration of the SBC or SBC ABS markets or the broader financial markets may cause us to experience losses related to our assets and to sell assets at a loss. Our profitability may be materially adversely affected if we are unable to obtain cost effective financing. A continuation or increase in the volatility and deterioration in the SBC and SBC ABS markets as well as the broader financial markets may adversely affect the performance and fair market values of our SBC loan and SBC ABS assets and may adversely affect our results of operations and credit availability, which may reduce earnings and, in turn, cash available for distribution to our stockholders.

We anticipate a significant portion of our investments will be in the form of SBC loans that are subject to increased risks.

Our acquired non-performing loans represented in the aggregate 1.4% of the UPB and 1.3% of the carrying value of our total loan portfolio as of December 31, 2020. As of December 31, 2020, our non-performing acquired loan portfolio had a current unpaid principal balance of $62.8 million and a carrying value of $57.0 million. We consider a loan to be performing if the borrower is current on 100% of the contractual payments due for principal and interest during the most recent 90 days. We consider a loan to be non-performing if the borrower does not meet the criteria of a performing loan. Non-performing SBC loans are subject to increased risks of credit loss for a variety of reasons, including, the underlying property is too highly-leveraged or the borrower has experienced financial distress. Whatever the reason, the borrower may be unable to meet its contractual debt service obligation to us or our subsidiaries. Non-performing SBC loans may

require a substantial amount of workout negotiations and/or restructuring, which may divert our attention from other activities and entail, among other things, a substantial reduction in the interest rate or capitalization of past due interest. However, even if restructurings are successfully accomplished, risks still exist that borrowers will not be able or willing to maintain the restructured payments or refinance the restructured mortgage upon maturity. Additional risks inherent in the acquisition of non-performing SBC loans include undisclosed claims, undisclosed tax liens that may have priority, higher legal costs and greater difficulties in determining the value of the underlying property.

As of December 31, 2020, the average loan-to-value ("LTV") of ReadyCap Commercial's originated portfolio was 65%. The weighted average LTV of our acquired loans was 39% as of December 31, 2020. If such SBC loans with higher LTV ratios become delinquent, we may experience greater credit losses compared to lower-leveraged properties. Additional risks inherent in the acquisition of delinquent SBC loans include undisclosed claims, undisclosed tax liens that may have priority, higher legal costs and greater difficulties in determining the value of the underlying property.

The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets.

A portion of the SBC loans and ABS assets we own, acquire or originate may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. In addition, our real estate investments, including the properties we acquired through our acquisition of Owens Realty Mortgage, Inc. ("ORM") and any properties acquired by us through foreclosure, are relatively illiquid and difficult to buy and sell quickly. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less value than the value at which we have previously recorded our assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Waterfall's due diligence of potential SBC loans and ABS assets may not reveal all of the liabilities associated with and other combined weaknesses in such SBC loans and ABS assets, which could lead to investment losses.

Before making an investment, Waterfall calculates the level of risk associated with the SBC loan to be acquired or originated based on several factors which include the following: a complete review of seller's data files, including data integrity, compliance review and custodial file review; rent rolls and other property operating data; personal credit reports of the borrower and owner and/or operator; property valuation review; environmental review; and tax and title search. In making the assessment and otherwise conducting customary due diligence, we will employ standard documentation requirements and require appraisals prepared by local independent third-party appraisers it selects. Additionally, we will seek to have sellers provide representations and warranties on SBC loans we acquire, and if we are unable to obtain representations and warranties, we will factor the increased risk into the price we pay for such loans. Despite our review process, there can be no assurance that our due diligence process will uncover all relevant facts or that any investment will be successful.

Inaccurate and/or incomplete information received in connection with our due diligence and underwriting process could have a negative impact on our financial condition and results of operation.

Our credit and underwriting philosophy for both acquired and originated SBC loans encompass individual borrower and property diligence, taking into consideration several factors, including (i) the seller's data files, including data integrity, compliance review and custodial file review; (ii) rent rolls and other property operating data; (iii) personal credit reports of the borrower, owner and/or operator; (iv) property valuations; (v) environmental reviews; and (vi) tax and title searches. We also generally ask sellers to provide representations and warranties on SBC loans we acquire, and if we are unable to obtain representations and warranties, we will factor the increased risk into the price we pay for such loans. Our financial condition and results of operations could be negatively impacted to the extent we rely on information that is misleading, inaccurate or incomplete.

The use of underwriting guideline exceptions in the SBC loan origination process may result in increased delinquencies and defaults.

Although SBC loan originators generally underwrite mortgage loans in accordance with their pre-determined loan underwriting guidelines, from time to time and in the ordinary course of business, originators, including the Company, will make exceptions to these guidelines. On a case-by-case basis, our underwriters may determine that a prospective borrower that does not strictly qualify under our underwriting guidelines warrants an underwriting exception, based upon compensating factors. Compensating factors may include, without limitations, a lower LTV ratio, a higher debt coverage ratio, experience as a real estate owner or investor, borrower net worth or liquidity, stable employment, longer length of

time in business and length of time owning the property. Loans originated with exceptions may result in a higher number of delinquencies and defaults, which could have a material and adverse effect on our business, results of operations and financial condition.

Deficiencies in appraisal quality in the mortgage loan origination and acquisition process may result in increased principal loss severity.

During the mortgage loan underwriting process, appraisals are generally obtained on the collateral underlying each prospective mortgage. The quality of these appraisals may vary widely in accuracy and consistency. The appraiser may feel pressure from the broker or lender to provide an appraisal in the amount necessary to enable the originator to make the loan, whether or not the value of the property justifies such an appraised value. Inaccurate or inflated appraisals may result in an increase in the severity of losses on the mortgage loans, which could have a material and adverse effect on our business, results of operations and financial condition.

Recent market conditions may make it more difficult to analyze potential investment opportunities for our portfolio of assets.

Our success will depend, in part, on our ability to effectively analyze potential acquisition and origination opportunities in order to assess the level of risk-adjusted returns that we should expect from any particular investment. To estimate the value of a particular asset, we may use historical assumptions that may or may not be appropriate during the recent unprecedented downturn in the real estate market and general economy. To the extent that we use historical assumptions that are inappropriate under current market conditions, we may overpay for an asset or acquire an asset that it otherwise might not acquire, which could have a material and adverse effect on our results of operations and our ability to make distributions to our stockholders.

In addition, as part of our overall portfolio risk management, we will analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our portfolio of assets. In conducting our analysis, we will depend on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. Recent dislocations in the mortgage market or other developments may change the way that prepayment trends respond to interest rate changes, which may adversely affect our ability to assess the market value of our portfolio of assets, implement our hedging strategies or implement techniques to reduce our prepayment rate volatility. If our estimates prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates or prepayments, we may incur losses that could materially and adversely affect our financial condition, results of operations and our ability to make distributions to our stockholders.

Any costs or delays involved in the completion of a foreclosure or liquidation of the underlying property may further reduce proceeds from the property and may increase the loss.

In the future, it is possible that we may find it necessary or desirable to foreclose on some, if not many, of the SBC loans we acquire, and the foreclosure process may be lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against us including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force us into a modification of the SBC loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure may create a negative public perception of the related mortgaged property, resulting in a decrease in its value. Even if we are successful in foreclosing on a SBC loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the SBC loan, resulting in a loss to us. Furthermore, any costs or delays involved in the completion of a foreclosure of the SBC loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss. Any such reductions could materially and adversely affect the value of the commercial SBC loans in which we invest and, therefore, could have a material and adverse effect on our business, results of operations and financial condition.

Real estate properties acquired through our acquisition of ORM or through foreclosure subject us to additional risks associated with owning real estate.

We have acquired real estate properties through our acquisition of ORM. These assets expose us to additional risks, including, without limitation:

- facing difficulties in integrating these properties with our existing business operations;
- incurring costs to carry, and in some cases make repairs or improvements to these assets, which requires additional liquidity and results in additional expenses that could exceed our original estimates and impact our operating results;
- not being able to realize sufficient amounts from sales of the properties to avoid losses;
- not being able to sell properties, which are not liquid assets, in a timely manner, or at all, when we need to increase liquidity through asset sales;
- properties being acquired with one or more co-owners (called tenants-in-common) where development or sale requires written agreement or consent by all; without timely agreement or consent, we could suffer a loss from being unable to develop or sell the property;
- maintaining occupancy of the properties;
- controlling operating expenses;
- coping with general and local market conditions;
- complying with changes in laws and regulations pertaining to taxes, use, zoning and environmental protection;
- possible liability for injury to persons and property;
- possible uninsured losses related to environmental events such as earthquakes, floods and/or mudslides; and
- possible liability for environmental remediation.

If any of our properties incurs a vacancy, it could be difficult to sell or re-lease.

One or more of our properties we acquired through our acquisition of ORM may incur a vacancy by either the continued default of a tenant under its lease or the expiration of one of our leases. Certain of our properties may be specifically suited to the particular needs of a tenant (e.g., a retail bank branch or distribution warehouse), and major renovations and expenditures may be required in order for us to re-lease vacant space for other uses. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues, resulting in less cash available to be distributed to you. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Our properties may be subject to impairment charges.

We will periodically evaluate our real estate investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, tenant performance and legal structure. For example, the early termination of, or default under, a lease by a tenant may lead to an impairment charge. If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the property, which could have a material adverse effect on our results of operations in the period in which the impairment charge is recorded.

We would face potential adverse effects from tenant defaults, bankruptcies or insolvencies.

The bankruptcy of our tenants may adversely affect the income generated by our properties. If our tenant files for bankruptcy, we generally cannot evict the tenant solely because of such bankruptcy. In addition, a bankruptcy court could authorize a bankrupt tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes us under the lease. Any shortfall resulting from the bankruptcy of one or more of our tenants could adversely affect our cash flow and results of operations.

Any mezzanine loan assets we may purchase or originate may involve greater risks of loss than senior loans secured by income-producing properties.

We may originate or acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy its mezzanine loan. If a borrower defaults on any mezzanine loan we may purchase or originate, or debt senior to any such loan, or in the event of a borrower bankruptcy, such mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our initial expenditure. In addition, mezzanine loans may have higher LTVs than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to any mezzanine loans we may purchase or originate would result in operating losses for us and may limit our ability to make distributions to our stockholders.

We may be exposed to environmental liabilities with respect to properties to which we take title, which may in turn decrease the value of the underlying properties.

In the course of our business, we could be subject to environmental liabilities with respect to properties to which we take title. In such a circumstance, we may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. If we ever become subject to significant environmental liabilities, our business, financial condition, liquidity, and results of operations could be materially and adversely affected. In addition, an owner or operator of real property may become liable under various federal, state and local laws, for the costs of removal of certain hazardous substances released on its property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances may adversely affect an owner's ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of an underlying property becomes liable for removal costs, the ability of the owner to make debt payments may be reduced, which in turn may adversely affect the value of the relevant mortgage-related assets held by us.

Investments outside the U.S. that are denominated in foreign currencies subject us to foreign currency risks and to the uncertainty of foreign laws and markets, which may adversely affect our distributions and our REIT status.

Our investments outside the U.S. denominated in foreign currencies subject us to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. As a result, changes in exchange rates of any such foreign currency to U.S. dollars may affect our income and distributions and may also affect the book value of our assets and the amount of stockholders' equity. In addition, these investments subject us to risks of multiple and conflicting tax laws and regulations, and other laws and regulations that may make foreclosure and the exercise of other remedies in the case of default more difficult or costly compared to U.S. assets, and political and economic instability abroad, any of which factors could adversely affect our receipt of returns on and distributions from these investments.

Changes in foreign currency exchange rates used to value a REIT's foreign assets may be considered changes in the value of the REIT's assets. These changes may adversely affect our status as a REIT. Further, bank accounts in foreign currency which are not considered cash or cash equivalents may adversely affect our status as a REIT**.**

The departure of the United Kingdom from the European Union could affect our investments directly.

The decision made in the British referendum of June 23, 2016 to leave the European Union, commonly referred to as "Brexit," has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. On January 31, 2020, the United Kingdom officially withdrew from the European Union (such withdrawal commonly being referred to as "Brexit"). As of that date, the United Kingdom entered a transitional period with the European Union, which ended on December 31, 2020. On December 24, 2020, the European Union and the United Kingdom agreed on the Trade and Cooperation Agreement (the "Trade and Cooperation Agreement"), which sets out the principles of the relationship between the European Union and the United Kingdom following the end of the transitional period.

We currently hold, and may acquire additional, investments that are denominated in Pounds Sterling ("GBP") and EURs (including loans secured by assets located in the United Kingdom or Europe), as well as equity interests in real estate properties located in Europe. Our assets and liabilities denominated in GBP may be subject to increased risks related to these currency rate fluctuations and our net assets in U.S. dollar terms may decline. Currency volatility may mean that our assets and liabilities are adversely affected by market movements and may make it more difficult, or more expensive, for us to execute appropriate currency hedging policies. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which E.U. laws to replace or replicate. Brexit could also have a destabilizing effect if other E.U. member states were to consider the option of leaving the European Union. For these reasons, the United Kingdom's exit from the European Union could have adverse consequences on our business, financial condition and results of operations.

The ongoing COVID-19 pandemic has caused severe disruptions in the U.S. and global economy and to our business, and may continue to have an adverse impact on our performance, financial condition and results of operations.

The ongoing COVID-19 pandemic in many countries continues to adversely impact global economic activity and has contributed to significant volatility in financial markets. On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. On March 13, 2020, former President Trump declared the COVID-19 outbreak a national emergency. The global impact of the pandemic has been rapidly evolving, and as cases of the virus increased around the world, governments and organizations have implemented a variety of actions to mobilize efforts to mitigate the ongoing and expected impact. Many governments have reacted by instituting quarantines, restrictions on travel, school closures, bans on public events and on public gatherings, "shelter in place" or "stay at home" rules, restrictions on types of business that may continue to operate, and/or restrictions on types of construction projects that may continue. Although, in certain cases, exceptions may be available for certain essential operations and businesses, and in other cases certain of these restrictions have been relaxed or phased out, many of these or similar restrictions remain in place, continue to be implemented or additional restrictions are being considered. There is no assurance that any exceptions or easing of restrictions will enable us to avoid adverse effects to our results of operations and business. Further, such actions have created, and expect to continue to create, disruption in real estate financing transactions and the commercial real estate market and adversely impact a number of industries, including many small businesses throughout the United States. The pandemic has triggered a period of economic slowdown. Experts are uncertain as to how long these conditions may last.

In the United States, there have been a number of federal, state and local government initiatives applicable to a significant number of mortgage loans, to manage the spread of the virus and its impact on the economy, financial markets and continuity of businesses of all sizes and industries. In March 2020, the U.S. Congress approved, and former President Trump signed into law, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act provides approximately $2 trillion in financial assistance to individuals and businesses resulting from the COVID-19 pandemic. The CARES Act, among other things, provided certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing and loan forgiveness and/or forbearance. The Federal Reserve implemented asset purchase and lending programs, including purchases of residential and commercial mortgage backed securities and the establishment of lending facilities to support loans to small- and mid-size businesses. To further address the continued economic impact of the COVID-19 pandemic, the U.S. Congress passed, and former President Trump signed into law, a second COVID-19 relief bill in December 2020, which provided approximately $900 billion in additional financial assistance to individuals and businesses, including funds for rental assistance to be distributed by state and local governments and a revival of the forgivable small business loan program originally provided for under the CARES Act. Although these actions by the federal government, together with other actions taken at the federal, regional and local levels, are intended to support these economies, and while President Biden, with the support of a Democratic Congress, is likely to implement additional relief measures in 2021, there is no guarantee that such measures will provide sufficient relief to avoid continued adverse effects of the COVID-19 pandemic on the economy. Similar actions have been taken by governments around the globe but as is the case in the United States there is no assurance that such measures will prevent further economic disruptions, which may continue to be significant, around the world.

We believe that both our and our Manager's ability to operate, our level of business activity and the profitability of our business, as well as the values of, and the cash flows from, the assets we own have been, and will continue to be, impacted by the effects of COVID-19 and could in the future be impacted by another pandemic or other major public health issues. While we have implemented risk management and contingency plans and taken preventive measures and other precautions, no predictions of specific scenarios can be made with respect to the COVID-19 pandemic and such measures may not adequately predict the impact on our business from such events.

The effects of COVID-19 have adversely impacted the value of our assets, our business, financial condition and results of operations and cash flows, and both our and our Manager's ability to operate successfully. Some of the factors that impacted us to date and may continue to affect us include the following:

- to the extent the value of commercial real estate declines, which would also likely negatively impact the value of the loans we own, we could become subject to additional margin calls under our repurchase agreements;
- our ability to continue to satisfy any additional margin calls from our lenders and to the extent we are unable to satisfy any such margin calls, any acceleration of our indebtedness, increase in the interest rate on advanced funds, termination of our ability to borrow funds from them, or foreclosure by our lenders on our assets;
- difficulty accessing debt and equity capital on attractive terms, or at all;
- a severe disruption and instability in the financial markets or deteriorations in credit and financing conditions may jeopardize the solvency and financial wherewithal of counterparties with whom we do business, including our borrowers and could affect our or our counterparties' ability to make regular payments of principal and interest (whether due to an inability to make such payments, an unwillingness to make such payments, or a waiver of the requirement to make such payments on a timely basis or at all) and our ability to recover the full value of our loan, thus reducing our earnings and liquidity;
- unavailability of information, resulting in restricted access to key inputs used to derive certain estimates and assumptions made in connection with evaluating our loans for impairments and establishing allowances for loan losses;
- our ability to remain in compliance with the financial covenants under our borrowings, including in the event of impairments in the value of the loans we own;
- disruptions to the efficient function of our operations because of, among other factors, any inability to access short-term or long-term financing for the loans we make;
- our need to sell assets, including at a loss;
- to the extent we elect or are forced to reduce our loan origination activities, such as the curtailment in the origination of purchased future receivables during the second quarter of 2020;
- inability of other third-party vendors we rely on to conduct our business to operate effectively and continue to support our business and operations, including vendors that provide IT services, legal and accounting services, or other operational support services;
- effects of legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues, which could result in additional regulation or restrictions affecting the conduct of our business; and
- our ability to ensure operational continuity in the event our business continuity plan is not effective or ineffectually implemented or deployed during a disruption.

The rapid development and fluidity of the circumstances resulting from this pandemic precludes any prediction as to the ultimate adverse impact of COVID-19. There are no comparable recent events which provide guidance as to the effect of the spread of COVID-19 and a pandemic on our business. Nevertheless, COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas present material uncertainty and risk with respect to our performance, financial condition, volume of business, results of operations and cash flows. Moreover, many risk factors set forth in this annual report on Form 10-K should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

Our loans are dependent on the ability of the commercial property owner to generate net income from operating the property, which may result in the inability of such property owner to repay a loan, as well as the risk of foreclosure.

Our loans are generally secured by multi-family, office, retail, mixed use, commercial or warehouse properties and are subject to risks of delinquency, foreclosure and loss that may be greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things:

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition and design;
- competition from comparable types of properties;
- changes in national, regional or local economic conditions and/or specific industry segments;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- costs of remediation and liabilities associated with environmental conditions;
- the potential for uninsured or underinsured property losses;
- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations and limit amounts available for distribution to our stockholders. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Foreclosure can be an expensive and lengthy process, and foreclosing on certain properties where we directly hold the mortgage loan and the borrower's default under the mortgage loan is continuing could result in actions that could be costly to our operations, in addition to having a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

Our portfolio of assets may at times be concentrated in certain property types or secured by properties concentrated in a limited number of geographic areas, which increases our exposure to economic downturn with respect to those property types or geographic locations.

We are not required to observe specific diversification criteria. Therefore, our portfolio of assets may, at times, be concentrated in certain property types that are subject to higher risk of foreclosure, or secured by properties concentrated in a limited number of geographic locations.

Our loan portfolio is concentrated in California, Texas, New York, Florida, and Illinois and represents approximately 18.1%, 14.2%, 9.8%, 7.8%, and 5.2%, respectively, of our total loans as of December 31, 2020. Continued deterioration of economic conditions in these or in any other state in which we have a significant concentration of borrowers could have

a material and adverse effect on our business by reducing demand for new financings, limiting the ability of customers to repay existing loans and impairing the value of our real estate collateral and real estate owned properties. For example, the real estate market in South Florida has experienced a significant downturn which has an adverse impact on the collateral securing our loans in these areas.

To the extent that our portfolio is concentrated in any region, or by type of property, downturns relating generally to such region, type of borrower or security may result in defaults on a number of our assets within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders.

Homeowner association super priority liens, special assessments and energy efficiency liens may take priority over the mortgage lien.

Homeowner association super priority liens may take priority over the mortgage lien. In some jurisdictions it is possible that the first lien of a mortgage may be extinguished by super priority liens of homeowners associations ("HOAs"), potentially resulting in a loss of the outstanding principal balance of the mortgage loan. In a number of states, HOA or condominium association assessment liens can take priority over first lien mortgages in certain circumstances. The number of these so called superlien jurisdictions has increased in the past few decades and may increase further. Rulings by the highest courts in Nevada and the District of Columbia have held that the superlien statute provides the HOA or condominium association with a true lien priority rather than a payment priority from the proceeds of the sale, creating the ability to extinguish the existing senior mortgage and greatly increasing the risk of losses on mortgage loans secured by homes whose owners fail to pay HOA or condominium fees. If an HOA, or a purchaser of an HOA superlien, completes a foreclosure in respect of an HOA superlien on a mortgaged property, the related mortgage loan may be extinguished. In those circumstances, a loan owner could suffer a loss of the entire principal balance of such mortgage loan. A servicer might be able to attempt to recover, on an unsecured basis, by suing the related mortgagor personally for the balance, but recovery in these circumstances will be problematic if the related mortgagor has no meaningful assets against which to recover. Special assessments and energy efficiency liens may take priority over the mortgage lien. Mortgaged properties securing mortgage loans may be subject to the lien of special property taxes and/or special assessments. These liens may be superior to the liens securing the mortgage loans, irrespective of the date of the mortgage. In some instances, individual mortgagors may be able to elect to enter into contracts with governmental agencies for property assessed clean energy or similar assessments that are intended to secure the payment of energy and water efficiency and distributed energy generation improvements that are permanently affixed to their properties, possibly without notice to or the consent of the mortgagee. These assessments may also have lien priority over the mortgages securing mortgage loans. No assurance can be given that a mortgaged property so assessed will increase in value to the extent of the assessment lien. Additional indebtedness secured by the assessment lien would reduce the amount of the value of a mortgaged property available to satisfy the affected mortgage loan. Such actions could have a dramatic impact on our business, results of operations and financial condition, and the cost of complying with any additional laws and regulations could have a material adverse effect on our business, financial condition, results of operations, the market price of our common stock and our ability to pay dividends to our stockholders.

The increasing number of proposed United States federal, state and local laws may affect certain mortgage-related assets in which we intend to invest and could materially increase our cost of doing business.

Various bankruptcy legislation has been proposed that, among other provisions, could allow judges to modify the terms of residential mortgages in bankruptcy proceedings, could hinder the ability of the servicer to foreclose promptly on defaulted mortgage loans or permit limited assignee liability for certain violations in the mortgage loan origination process, any or all of which could adversely affect our business or result in us being held responsible for violations in the mortgage loan origination process even where we were not the originators of the loan. We do not know what impact this type of legislation, which has been primarily, if not entirely, focused on residential mortgage originations, would have on the SBC loan market. We are unable to predict whether United States federal, state or local authorities, or other pertinent bodies, will enact legislation, laws, rules, regulations, handbooks, guidelines or similar provisions that will affect our business or require changes in our practices in the future, and any such changes could materially and adversely affect our cost of doing business and profitability.

Failure to obtain or maintain required approvals and/or state licenses necessary to operate our mortgage-related activities may adversely impact our investment strategy.

We may be required to obtain and maintain various approvals and/or licenses from federal or state governmental authorities, government sponsored entities or similar bodies in connection with some or all of our activities. There is no assurance that we can obtain and maintain any or all of the approvals and licenses that we desire or that we will avoid experiencing significant delays in seeking such approvals and licenses. Furthermore, we will be subject to various disclosure and other requirements to obtain and maintain these approvals and licenses, and there is no assurance that we will satisfy those requirements. Our failure to obtain or maintain licenses will restrict our options and ability to engage in desired activities, and could subject us to fines, suspensions, terminations and various other adverse actions if it is determined that we have engaged without the requisite approvals or licenses in activities that required an approval or license, which could have a material and adverse effect on our business, results of operation and financial condition.

Loans to small businesses involve a high degree of business and financial risk, which can result in substantial losses that would adversely affect our business, results of operation and financial condition.

Our operations and activities include loans to small, privately owned businesses to purchase real estate used in their operations or by investors seeking to acquire small multi-family, office, retail, mixed use or warehouse properties. Additionally, SBC loans are also often accompanied by personal guarantees. Often, there is little or no publicly available information about these businesses. Accordingly, we must rely on our own due diligence to obtain information in connection with our investment decisions. Our borrowers may not meet net income, cash flow and other coverage tests typically imposed by banks. A borrower's ability to repay its loan may be adversely impacted by numerous factors, including a downturn in its industry or other negative local or more general economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in the collateral for the loan. In addition, small businesses typically depend on the management talents and efforts of one person or a small group of people for their success. The loss of services of one or more of these persons could have a material and adverse impact on the operations of the small business. Small companies are typically more vulnerable to customer preferences, market conditions and economic downturns and often need additional capital to expand or compete. These factors may have an impact on loans involving such businesses. Loans to small businesses, therefore, involve a high degree of business and financial risk, which can result in substantial losses.

Some of the mortgage loans we will originate or acquire are loans made to self-employed borrowers who have a higher risk of delinquency and default, which could have a material and adverse effect on our business, results of operations and financial condition.

Many of our borrowers will be self-employed. Self-employed borrowers may be more likely to default on their mortgage loans than salaried or commissioned borrowers and generally have less predictable income. In addition, many self-employed borrowers are small business owners who may be personally liable for their business debt. Consequently, a higher number of self-employed borrowers may result in increased defaults on the mortgage loans we originate or acquire and, therefore, could have a material and adverse effect on our business, results of operations and financial condition.

Some of the mortgage loans we will originate or acquire are secured by non-owner/user properties that may experience increased frequency of default and, when in default, the owners are more likely to abandon their properties, which could have a material and adverse effect on our business, results of operations and financial condition.

Some of the loans we will originate or acquire have been, and in the future could be, made to borrowers who do not live in or operate a business on the mortgaged properties. These mortgage loans are secured by properties acquired by investors for rental income and capital appreciation and tend to default more than properties regularly occupied or used by the related borrowers. In a default, real property investors not occupying the mortgaged property may be more likely to abandon the related mortgaged property, increasing defaults and, therefore, could have a material and adverse effect on our business, results of operations and financial condition.

We are a seller/servicer approved to sell mortgage loans to Freddie Mac and failure to maintain our status as an approved seller/servicer could harm our business.

We are an approved Freddie Mac seller/servicer. As an approved seller/servicer, we are required to conduct certain aspects of our operations in accordance with applicable policies and guidelines published by Freddie Mac and we are required to pledge a certain amount of cash to Freddie Mac to collateralize potential obligations to it. Freddie Mac performed an audit in June 2016. As a result of that audit, ReadyCap Commercial received an overall assessment of Satisfactory. Failure to

maintain our status as an approved seller/servicer would mean we would not be able to sell mortgage loans to Freddie Mac, could result in us being required to re-purchase loans previously sold to Freddie Mac, or could otherwise restrict our business and investment options and could harm our business and expose us to losses or other claims. Freddie Mac may, in the future, require us to hold additional capital or pledge additional cash or assets in order to maintain approved seller/servicer status, which, if required, would adversely impact our financial results. Loans sold to Freddie Mac that may be required to be re-purchased as of December 31, 2020 included 19 loans with a combined unpaid principal balance of $50.4 million.

Our acquisitions and the integration of acquired businesses subject us to various risks and may not result in all of the cost savings and benefits anticipated, which could adversely affect our financial condition or results of operations.

We have in the past, and may in the future, seek to grow our business by acquiring other businesses that we believe will complement or augment our existing businesses. In March 2019, we completed our acquisition of ORM and in October 2019, we completed our acquisition of Knight Capital. We cannot predict with certainty the benefits of these acquisitions, which often constitute multi-year endeavors. There is risk that our acquisitions may not have the anticipated positive results, including results relating to: correctly assessing the asset quality of the assets being acquired; the total cost and time required to complete the integration successfully; being able to profitably deploy funds acquired in an acquisition; or the overall performance of the combined entity.

If we are unable to successfully integrate our acquisitions into our business, we may never realize their expected benefits. With each acquisition, we may discover or experience unexpected costs, liabilities for which we are not indemnified, delays, lower than expected cost savings or synergies, or incurrence of other significant charges such as impairment of goodwill or other intangible assets and asset devaluation. In addition, we may be unable to successfully integrate the diverse company cultures, retain key personnel, apply our expertise to new competencies, or react to adverse changes in industry conditions.

Acquisitions may also result in business disruptions that could cause customers to move their business to our competitors. It is possible that the integration process related to acquisitions could result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients, customers, and employees. The loss of key employees in connection with an acquisition could adversely affect our ability to successfully conduct our business. Acquisition and integration efforts could divert management attention and resources, which could have an adverse effect on our financial condition and results of operations. Additionally, the operation of the acquired businesses may adversely affect our existing profitability, and we may not be able to achieve results in the future similar to those achieved by our existing business or manage growth resulting from the acquisition effectively.

If Waterfall underestimates the credit analysis and the expected risk-adjusted return relative to other comparable investment opportunities, we may experience losses.

Waterfall values our SBC loan and SBC ABS investments based on an initial credit analysis and the investment's expected risk-adjusted return relative to other comparable investment opportunities available to us, taking into account estimated future losses on the mortgage loans, and the estimated impact of these losses on expected future cash flows. Waterfall's loss estimates may not prove accurate, as actual results may vary from estimates. In the event that Waterfall underestimates the losses relative to the price we pay for a particular SBC or SBC ABS investment, we may experience losses with respect to such investment.

Waterfall utilizes analytical models and data in connection with the valuation of our SBC loans and SBC ABS assets, and any incorrect, misleading or incomplete information used in connection therewith would subject us to potential risks.

As part of the risk management process, Waterfall uses detailed proprietary models, including loan-level non-performing loan models, to evaluate collateral liquidation timelines and price changes by region, along with the impact of different loss mitigation plans. Additionally, Waterfall uses information, models and data supplied by third parties. Models and data are used to value potential target assets. In the event models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on incorrect models and data, especially valuation models, Waterfall may be induced to buy certain target assets at prices that are too high, to sell certain

other assets at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful.

The failure of a third-party servicer or the failure of our own internal servicing system to effectively service our portfolio of mortgage loans would materially and adversely affect us.

Most mortgage loans and securitizations of mortgage loans require a servicer to manage collections for each of the underlying loans. We will service our loan portfolio under a "component servicing" model (which includes the use of primary servicing by nationally recognized servicers and sub-servicing by participants in our Qualified Partner Program ("QPP"), who specialize in assets for the particular region in which the asset sits), which allows for highly customized loss mitigation strategies for non-performing and performing loans. Performing SBC loans (either loans purchased with historical activity, i.e., not originated, purchased in the secondary market or ReadyCap Commercial originations) will be securitized with us retaining the subordinate tranches. KeyBank Real Estate Capital performs both primary and special servicing with all loss mitigation decisions directed by Waterfall (which also maintains an option to purchase delinquent loans from the securitization trust). Non-performing SBC loans are serviced either through an approved SBC primary servicer providing both primary and special servicing or providing only primary servicing with special servicing contracted to smaller regionally-focused SBC operators and servicers who gain eligibility to participate in our QPP. Servicers' responsibilities include providing collection activities, loan workouts, modifications and refinancings, foreclosures, short sales, sales of foreclosed real estate and financings to facilitate such sales. Both default frequency and default severity of loans may depend upon the quality of the servicer. If a servicer is not vigilant in encouraging the borrowers to make their monthly payments, the borrowers may be far less likely to make these payments, which could result in a higher frequency of default. If a servicer takes longer to liquidate non-performing assets, loss severities may be higher than originally anticipated. Higher loss severity may also be caused by less competent dispositions of real estate owned properties.

We will seek to increase the value of non-performing loans through special servicing activities that will be performed by our participating special servicers. Servicer quality is of prime importance in the default performance of SBC loans and SBC ABS assets. Should we have to transfer loan servicing to another servicer, the transfer of loans to a new servicer could result in more loans becoming delinquent because of confusion or lack of attention. Servicing transfers involve notifying borrowers to remit payments to the new servicer, and these transfers could result in misdirected notices, misapplied payments, data input errors and other problems. Industry experience indicates that mortgage loan delinquencies and defaults are likely to temporarily increase during the transition to a new servicer and immediately following the servicing transfer. Further, when loan servicing is transferred, loan servicing fees may increase, which may have an adverse effect on the credit support of assets held by us.

Effectively servicing our portfolio of SBC loans is critical to our success, particularly given our strategy of maximizing the value of our portfolio with our loan modifications, loss mitigation, restructuring and other special servicing activities, and therefore, if one of our servicers fails to effectively service the portfolio of mortgage loans, it could have a material and adverse effect on our business, results of operations and financial condition.

The bankruptcy of a third-party servicer would adversely affect our business, results of operation and financial condition.

Depending on the provisions of the agreement with the servicer of any of our SBC loans, the servicer may be allowed to commingle collections on the mortgage loans owned by us with its own funds for certain periods of time (usually a few business days) after the servicer receives them. In the event of a bankruptcy of a servicer, we may not have a perfected interest in any collections on the mortgage loans owned by us that are in that servicer's possession at the time of the commencement of the bankruptcy case. The servicer may not be required to turn over to us any collections on mortgage loans that are in its possession at the time it goes into bankruptcy. To the extent that a servicer has commingled collections on mortgage loans with its own funds, we may be required to return to that servicer as preferential transfers all payments received on the mortgage loans during a period of up to one year prior to that servicer's bankruptcy.

If a servicer were to go into bankruptcy, it may stop performing its servicing functions (including any obligations to advance moneys in respect of a mortgage loan) and it may be difficult to find a third party to act as that servicer's successor. Alternatively, the servicer may take the position that unless the amount of its compensation is increased or the terms of its servicing obligations are otherwise altered it will stop performing its obligations as servicer. If it were to be difficult to find a third party to succeed the servicer, we may have no choice but to agree to a servicer's demands. The servicer may also have the power, with the approval of the bankruptcy court, to assign its rights and obligations to a third party without our consent, and even over our objections, and without complying with the terms of the applicable servicing agreement. The automatic stay provisions of Title 11 of the United States Code (the "Bankruptcy Code") would prevent (unless the permission of the bankruptcy court were obtained) any action by us to enforce the servicer's obligations under its servicing agreement or to collect any amount owed to us by the servicer. The Bankruptcy Code also prevents the removal of the

servicer as servicer and the appointment of a successor without the permission of the bankruptcy court or the consent of the servicer.

New entrants in the market for SBC loan acquisitions and originations could adversely impact our ability to acquire SBC loans at attractive prices and originate SBC loans at attractive risk-adjusted returns.

Although we believe that we are currently one of only a handful of active market participants in the secondary SBC loan market, new entrants in this market could adversely impact our ability to acquire and originate SBC loans at attractive prices. In acquiring and originating our target assets, we may compete with numerous regional and community banks, specialty finance companies, savings and loan associations, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, other lenders and other entities, and we expect that others may be organized in the future. The effect of the existence of additional REITs and other institutions may be increased competition for the available supply of SBC assets suitable for purchase, which may cause the price for such assets to rise, which may limit our ability to generate desired returns. Additionally, origination of SBC loans by our competitors may increase the availability of SBC loans which may result in a reduction of interest rates on SBC loans. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of SBC loans and ABS assets and establish more relationships than us.

We cannot assure you that the competitive pressures we may face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that it will be able to identify and make investments that are consistent with our investment objectives.

We cannot predict the unintended consequences and market distortions that may stem from far-ranging interventions in the financial system and oversight of financial markets.

U.S. Federal government agencies, including the Federal Reserve, the Treasury Department and the SEC, as well as other governmental and regulatory bodies, have taken or are taking various actions involving in the financial system and oversight of the financial markets. We cannot predict whether or when such actions may occur or what effect, if any, such actions could have on our business, results of operations and financial condition.

In July 2010, the U.S. Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") in part to impose significant investment restrictions and capital requirements on banking entities and other organizations that are significant to U.S. financial markets. For instance, the Dodd-Frank Act imposed significant restrictions on the proprietary trading activities of certain banking entities and has subjected other systemically significant organizations regulated by the U.S. Federal Reserve to increased capital requirements and quantitative limits for engaging in such activities. The Dodd-Frank Act also sought to reform the asset-backed securitization market (including the MBS market) by requiring the retention of a portion of the credit risk inherent in the pool of securitized assets and by imposing additional registration and disclosure requirements. The Dodd-Frank Act also imposed significant regulatory restrictions on the origination and securitization of commercial mortgage loans.

In September 2014, the SEC adopted significant changes to Regulation AB, which revised requirements governing disclosure, reporting, registration, and the offering process for asset-backed securities further impacting the commercial and residential mortgage loan securitization markets as well as the market for the re-securitization of MBS. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the "CFPB"), which oversees many of the core laws which regulate the mortgage industry, including the Real Estate Settlement Procedures Act and the Truth in Lending Act. While the full impact of the Dodd-Frank Act and the role of the CFPB cannot be assessed until all implementing regulations are released, the Dodd-Frank Act's extensive requirements may have a significant effect on the financial markets, and may affect the availability or terms of financing from our lender counterparties and the availability or terms of SBC loans and MBS, both of which may have an adverse effect on our financial condition and results of operations.

During the past few years, the Trump Administration has sought to deregulate the U.S. financial industry, such as by altering provisions of the Dodd-Frank Act, including certain provisions affecting the mortgage industry. These efforts included former President Trump signing into law the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") in 2018, which included several provisions that seek to reduce the regulatory burden on smaller banking entities engaged in mortgage lending, as well as to expand mortgage credit availability. For example, the EGRRCPA exempts designated institutions from compliance with ability-to-pay requirements for certain qualified residential mortgage loans, expanding the definition of qualified mortgages which may be held by a financial institution, and also exempts certain institutions from data disclosure requirements under the Home Mortgage Disclosure Act of 1975. It is possible that Democratic majorities in the House and Senate, with the support of the Biden Administration, will roll back some of the changes made by EGRRCPA to the Dodd-Frank Act, although it is not possible at this time to predict the nature or extent of any amendments.

The Biden Administration, along with the Democratic Congress, is likely to focus in the short-term on additional stimulus measures to address the economic impact of the COVID-19 pandemic, rather than comprehensive financial services and banking reform. However, in the long-term the Biden Administration and Congress are likely to take a more active approach to banking and financial regulation than the prior Trump Administration, particularly to promote policy goals involving climate change, racial equity, environmental, social, and corporate governance ("ESG") matters, consumer financial protection and infrastructure. In addition, the substance of regulatory supervision may be influenced through the appointment of individuals to the Federal Reserve Board and other financial regulatory bodies. With the support of a Democratic majority in Congress, President Biden is more likely to be able to have his nominees to such bodies confirmed and, accordingly, carry out the Administration's regulatory agenda. We cannot predict the ultimate content, timing, or effect of legislative and/or regulatory actions under a Biden Administration and Democratic Congress, nor is it possible at this time to estimate the impact of any such actions which could have a dramatic impact on our business, results of operations and financial condition.

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

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

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

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

Our inability to manage future growth could have an adverse impact on our financial condition and results of operations.

Our ability to achieve our investment objectives will depend on our ability to grow, which will depend, in turn, on Waterfall's ability to identify, acquire, originate and invest in SBC loans and ABS assets that meet our investment criteria. Our ability to grow our business will depend in large part on our ability to expand our SBC loan origination activities. Any failure to effectively manage our future growth, including a failure to successfully expand our SBC loan origination activities could have a material and adverse effect on our business, financial condition and results of operations.

Declines in the fair market values of our assets may adversely affect periodic reported results and credit availability, which may reduce earnings and, in turn, cash available for distribution to our stockholders.

Our SBC loans held-for-sale and SBC ABS are carried at fair value and future mortgage related assets may also be carried at fair value. Accordingly, changes in the fair value of these assets may impact the results of our operations for the period in which such change in value occurs. The expectation of changes in real estate prices, which is beyond our control, is a major determinant of the value of SBC loans and SBC ABS.

Many of the assets in our portfolio are and will likely be SBC loans and SBC ABS that are not publicly traded. The fair value of assets that are not publicly traded may not be readily determinable. We value these assets quarterly at fair value, as determined in accordance with applicable accounting standards, which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these assets existed.

A decline in the fair market value of our assets may adversely affect us, particularly in instances where we have borrowed money based on the fair market value of those assets. If the fair market value of those assets decline, the lender may require us to post additional collateral to support the loan. If we are unable to post the additional collateral, we would have to sell the assets at a time when we might not otherwise choose to do so. A reduction in credit available may reduce our earnings and, in turn, cash available for distribution to stockholders.

Our investments may include subordinated tranches of ABS and RMBS, which are subordinate in right of payment to more senior securities.

Our investments may include subordinated tranches of ABS and RMBS, which are subordinated classes of securities in a structure of securities collateralized by a pool of assets consisting primarily of SBC loans and, accordingly, are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Additionally, estimated fair values of these subordinated interests tend to be more sensitive to changes in economic conditions than more senior securities. As a result, such subordinated interests generally are not actively traded and may not provide holders thereof with liquid investments.

In certain cases we may not control the special servicing of the mortgage loans included in the securities in which we may invest in and, in such cases, the special servicer may take actions that could adversely affect our interests.

With respect to the SBC ABS in which we expect to invest, overall control over the special servicing of the related underlying mortgage loans will be held by a directing certificate holder, which is appointed by the holders of the most subordinate class of securities in such series. When we acquire investment-grade classes of existing series of securities originally rated AAA, we will not have the right to appoint the directing certificate holder. In these cases, in connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate holder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests.

Any credit ratings assigned to our SBC loans and ABS assets will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded.

Some of our SBC loan and ABS assets may be rated by Moody's Investors Service, Standard & Poor's, or S&P, or Fitch Ratings. Any credit ratings on our SBC loans and ABS assets are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Rating agencies may assign a lower than expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our SBC loans and ABS assets in the future. In addition, we may acquire assets with no rating or with below investment grade ratings. If the rating agencies take adverse action with respect to the rating of our SBC loans and ABS assets or if our unrated assets are illiquid, the value of these SBC loans and ABS assets could significantly decline, which would adversely affect the value of our investment portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to us.

The receivables underlying the ABS we may acquire are subject to credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks, which could result in losses to us.

We may acquire ABS securities, where the underlying pool of assets consists primarily of SBC loans. The structure of an ABS, and the terms of the investors' interest in the underlying collateral, can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding ABS include: (i) the relative seniority or subordination of the class of ABS held by an investor, (ii) the relative allocation of principal, and interest payments in the priorities by which such payments are made under the governing documents, (iii) the effect of credit losses on both the issuing vehicle and investors' returns, (iv) whether the underlying collateral represents a fixed set of specific assets or accounts, (v) whether the underlying collateral assets are revolving or closed-end, (vi) the terms (including maturity of the ABS) under which any remaining balance in the accounts may revert to the issuing vehicle and (vii) the extent to which the entity that sold the underlying collateral to the issuing vehicle is obligated to provide support to the issuing vehicle or to investors. With respect to some types of ABS, the foregoing risks are more closely correlated with similar risks on corporate bonds of similar terms and maturities than with the performance of a pool of similar assets.

In addition, certain ABS (particularly subordinated ABS) provide that the non-payment of interest thereon in cash will not constitute an event of default in certain circumstances, and the holders of such ABS will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Deferral of interest through such capitalization will reduce the yield on such ABS.

Holders of ABS bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from (i) losses due to defaults by obligors under the underlying collateral and (ii) the issuing vehicle's or servicer's failure to perform their respective obligations under the transaction documents governing the ABS. These two risks may be related, as, for example, in the case of a servicer that does not provide adequate credit-review scrutiny to the underlying collateral, leading to a higher incidence of defaults.

Market risk arises from the cash flow characteristics of the ABS, which for most ABS tend to be predictable. The greatest variability in cash flows come from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels.

Interest rate risk arises for the issuer from (i) the pricing terms on the underlying collateral, (ii) the terms of the interest rate paid to holders of the ABS and (iii) the need to mark to market the excess servicing or spread account proceeds carried

on the issuing vehicle's balance sheet. For the holder of the security, interest rate risk depends on the expected life of the ABS, which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events. If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with underlying collateral comprised of non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores.

Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), a court having jurisdiction over the proceeding could determine that, because of the degree to which cash flows on the assets of the issuing vehicle may have been commingled with cash flows on the originator's other assets (or similar reasons), (i) the assets of the issuing vehicle could be treated as never having been truly sold by the originator to the issuing vehicle and could be substantively consolidated with those of the originator, or (ii) the transfer of such assets to the issuer could be voided as a fraudulent transfer. The time and expense related to a challenge of such a determination also could result in losses and/or delayed cash flows.

Increases in interest rates could adversely affect the demand for new SBC loans, the value of our SBC loans and ABS assets and the availability of our target assets, and they could cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to our stockholders.

We may invest in SBC loans, SBC ABS and other real estate-related investments. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of our target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and make distributions may be materially and adversely affected.

The relationship between short-term and longer-term interest rates is often referred to as the "yield curve." Ordinarily, short-term interest rates are lower than longer-term interest rates. If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because we expect that our SBC loans and ABS assets generally will bear, on average, interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income and the fair market value of our net assets. Additionally, to the extent cash flows from SBC loans and ABS assets that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new SBC loans and ABS assets and available borrowing rates may decline, which would likely decrease our net income. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses.

Fair market values of our SBC loans and ABS assets may decline without any general increase in interest rates for a number of reasons, such as increases or expected increases in defaults, or increases or expected increases in voluntary prepayments for those SBC loans and ABS assets that are subject to prepayment risk or widening of credit spreads.

In addition, in a period of rising interest rates, our operating results will depend in large part on the difference between the income from our assets and our financing costs. We anticipate that, in most cases, the income from such assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net income. Increases in these rates will tend to decrease our net income and fair market value of our assets.

Some of our SBC loans will have interest rate features that adjust over time, and any interest rate caps on these loans may reduce our income or cause it to suffer a loss during periods of rising interest rates.

Our ARMs are subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase through maturity of a loan. Our borrowings, including our repurchase agreement and securitizations, are not subject to similar

restrictions. Accordingly, in a period of rapidly increasing interest rates, the interest rates paid on our borrowings could increase without limitation while interest rate caps would limit the interest rates on our ARMs. This problem is magnified for our ARMs that are not fully indexed. Further, some ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we could receive less cash income on ARMs than we need to pay interest on our related borrowings. These factors could lower our net interest income or cause us to suffer a loss during periods of rising interest rates.

Because we hold and may originate additional fixed-rate assets, an increase in interest rates on our borrowings may adversely affect our book value.

Increases in interest rates may negatively affect the fair market value of our assets. Any fixed-rate assets we hold or originate generally will be more negatively affected by these increases than adjustable-rate assets. In accordance with accounting rules, we will be required to reduce our earnings for any decrease in the fair market value of our assets that are accounted for under the fair value option. We will be required to evaluate our assets on a quarterly basis to determine their fair value by using third-party bid price indications provided by dealers who make markets in these assets or by third-party pricing services. If the fair value of an asset is not available from a dealer or third-party pricing service, we will estimate the fair value of the asset using a variety of methods, including discounted cash flow analysis, matrix pricing, option-adjusted spread models and fundamental analysis. Aggregate characteristics taken into consideration include type of collateral, index, margin, periodic cap, lifetime cap, underwriting standards, age and delinquency experience. However, the fair value reflects estimates and may not be indicative of the amounts we would receive in a current market exchange. If we determine that a security is other-than-temporarily impaired, we would be required to reduce the value of such security on our balance sheet by recording an impairment charge in our income statement and our stockholders' equity would be correspondingly reduced. Reductions in stockholders' equity decrease the amounts we may borrow to originate or purchase additional target assets, which could restrict our ability to increase our net income.

Because the assets we will hold and expect to acquire may experience periods of illiquidity, we may lose profits or be prevented from earning capital gains if we cannot sell SBC loans and ABS assets at an opportune time.

We bear the risk of being unable to dispose of our assets at advantageous times or in a timely manner because SBC loans and ABS assets generally experience periods of illiquidity, including the recent period of delinquencies and defaults with respect to residential mortgage loans. Additionally, we believe that we are currently one of only a handful of active market participants in the secondary SBC loan market and the lack of liquidity may result from the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale or the unavailability of financing for these assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which may cause us to incur losses.

Our non-U.S. assets may subject us to the uncertainty of foreign laws and markets and currency rate exposure.

We have recently invested in, and in the future may originate, invest in or acquire non-U.S. assets. Investments in countries outside of the United States may subject us to risks of multiple and conflicting tax laws and regulations, and other laws and regulations that may make foreclosure and the exercise of other remedies in the case of default more difficult or costly compared to U.S. assets as well as political and economic instability abroad, any of which factors could adversely affect our receipt of returns on and distributions from these assets. In addition, such assets may be denominated in currencies other than U.S. dollars which would expose us to foreign currency risk.

Maintenance of our 1940 Act exception imposes limits on our operations.

We intend to conduct our operations so that neither we nor our subsidiaries are required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We intend to conduct our operations so that we do not come within the definition of an investment company under Section 3(a)(1)(C) of the 1940 Act because fewer than 40% of our total assets on an unconsolidated basis will consist of "investment securities." The securities issued to us by any wholly-owned or majority-owned subsidiary that we currently own or may form in the future that is excluded from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test. However, qualification for exclusion from registration under the 1940 Act will limit our ability to make certain investments. In addition, we believe that we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we will be primarily engaged in the non-investment company businesses of our subsidiaries, and thus the type of businesses in which we may engage through our subsidiaries is limited.

In connection with the Section 3(a)(1)(c) analysis, the determination of whether an entity is a majority-owned subsidiary of our Company is made by us. The 1940 Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We will treat companies in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We will also treat securitization trusts as majority-owned subsidiaries for purposes of this analysis even where the securities issued by such trusts do not meet the definition of voting securities under the 1940 Act only in cases where this conclusion is supported by an opinion of counsel that the trust certificates or other interests issued by such securitization trusts are the functional equivalent of voting securities and that, in any event, such securitization trusts should be considered to be majority-owned subsidiaries for purposes of this analysis. We have not requested the SEC, or its staff, to concur or approve our treatment of any securitization trust or other company as a majority-owned subsidiary and neither the SEC nor its staff has done so. If the SEC, or its staff, were to disagree with our treatment of one of more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

We believe that certain of our subsidiaries qualify to be excluded from the definition of investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exception generally requires that at least 55% of such subsidiaries' assets must be comprised of qualifying assets and at least 80% of their total assets must be comprised of qualifying assets and real estate-related assets under the 1940 Act. We will treat as qualifying assets for this purpose SBC loans and other mortgages, in each case meeting certain other qualifications based upon SEC staff no-action letters. Although SEC staff no-action letters have not specifically addressed the categorization of these types of assets, we will also treat as qualifying assets for this purpose transitional loans wholly-secured by first priority liens on real estate that provide interim financing to borrowers seeking short-term capital (with terms of generally up to three years), MBS representing ownership of an entire pool of mortgage loans, and real estate-owned properties that may be acquired in connection with mortgage loan foreclosures. We expect each of our subsidiaries relying on Section 3(c)(5)(C) may invest an additional 25% of its assets in either qualifying assets or in other types of mortgages, interests in MBS or other securitizations, securities of REITs, and other real estate-related assets. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC, or its staff, or if such guidance has not been published, on our own analyses to determine which assets are qualifying real estate assets and real estate-related assets. To the extent that the SEC, or its staff, publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. Although we intend to monitor our portfolio periodically and prior to each investment acquisition, there can be no assurance that we will be able to maintain an exclusion for these subsidiaries. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In 2011, the SEC solicited public comment on a wide range of issues relating to Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the exclusion and whether mortgage REITs should be regulated in a manner similar to registered investment companies. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including the SEC, or its staff, providing more specific or different guidance regarding this exclusion, will not change in a manner that adversely affects our operations. If our Company or our subsidiaries fail to maintain an exception or exemption from the 1940 Act, we could, among other things, be required either to (i) change the manner in which we conduct our operations to avoid being required to register as an investment

company, (ii) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (iii) register as an investment company, any of which would negatively affect the value of our shares of common stock, the sustainability of our business model, and our ability to make distributions which would have an adverse effect on our business and the value of our shares of common stock.

Certain of our subsidiaries may rely on the exclusion from the definition of investment company provided by Section 3(c)(6) to the extent that they hold mortgage assets through majority-owned subsidiaries that rely on Section 3(c)(5)(C). Little interpretive guidance has been issued by the SEC, or its staff, with respect to Section 3(c)(6) and any guidance published by the SEC, or its staff, could require us to adjust our strategy accordingly. Although little interpretive guidance has been issued with respect to Section 3(c)(6), we believe that certain of our subsidiaries may rely on Section 3(c)(6) if, among other things, 55% of the assets of such subsidiaries consist of, and at least 55% of the income of such subsidiaries are derived from, qualifying real estate investment assets owned by wholly-owned or majority-owned subsidiaries of such subsidiaries.

Qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments. For example, these restrictions will limit the ability of our subsidiaries to invest directly in MBS that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and MBS, and real estate companies or in assets not related to real estate.

No assurance can be given that the SEC, or its staff, will concur with our classification of our Company or our subsidiaries' assets or that the SEC, or its staff, will not, in the future, issue further guidance that may require us to reclassify those assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Additional guidance from the SEC, or its staff, could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategy we have chosen. If the SEC, or its staff takes a position contrary to our analysis with respect to the characterization of any of the assets or securities we invest in, we may be deemed an unregistered investment company. Therefore, in order not to be required to register as an investment company, we may need to dispose of a significant portion of our assets or securities or acquire significant other additional assets which may have lower returns than our expected portfolio, or we may need to modify our business plan to register as an investment company, which would result in significantly increased operating expenses and would likely entail significantly reducing our indebtedness, which could also require us to sell a significant portion of our assets. We cannot assure you that we would be able to complete these dispositions or acquisitions of assets, or deleveraging, on favorable terms, or at all. Consequently, any modification of our business plan could have a material adverse effect on us. Further, if the SEC determined that we were an unregistered investment company, we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, we would potentially be unable to enforce contracts with third parties and third parties could seek to obtain rescission of transactions undertaken during the period for which it was established that we were an unregistered investment company. Any of these results would have a material adverse effect on us.

Since we are not expected to be subject to the 1940 Act and the rules and regulations promulgated thereunder, we will not be subject to its substantive provisions, including provisions requiring diversification of investments, limiting leverage and restricting investments in illiquid assets.

Rapid changes in the values of our target assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.

If the fair market value or income potential of our target assets declines as a result of increased interest rates, prepayment rates, general market conditions, government actions or other factors, we may need to increase our real estate assets and income or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from the 1940 Act. If the decline in real estate asset values or income occurs quickly, this may be especially difficult to accomplish. We may have to make decisions that we otherwise would not make absent the REIT and 1940 Act considerations.

The working capital advances we provide to small business through Knight Capital may become uncollectible, and large amounts of uncollectible advances may adversely affect our performance.

Through Knight Capital, we provide working capital advances to small businesses through the purchase of their future revenues. We enter into a contract with the business whereby we pay the business an upfront amount in return for a specific amount of the business's future revenue receivables. Our working capital advance activity presents risks, including the illiquidity of the cash advances; our critical reliance on certain individuals to operate the business; collection issues and

challenges given that working capital advances are generally unsecured; limited availability of financing sources, such as securitizations, to fund such advances; and sensitivity to general economic and regulatory conditions. We face the risk that merchants will fail to repay advances made by us in these transactions. Rates at which merchants do not repay amounts owed under these transactions may be significantly affected by economic downturns or general economic conditions beyond our control or beyond the control of the small businesses who repay the amounts advanced based on the volume of their revenue streams. While we have established an allowance for doubtful purchased future receivables based on historical and other objective information, it is also dependent on our subjective assessment based upon our experience and judgment. Actual losses are difficult to forecast and, as a result, there can be no assurance that our allowance for losses will be sufficient to absorb any actual losses. If we are unable to collect the full amount of the working capital advance receivable we acquire through the advance, we may be required to expend monies in connection with remedial actions, which expenditures could be material. In addition, the working capital advances that we make are relatively illiquid with no established market for their purchase and sale, and there can be no assurance that we would be able to liquidate those investments in a timely manner, or at all.

Our business of providing working capital advances to small businesses through the purchase of its future revenue depends on our ability to fund our working capital advances and collect payment on and service the working capital advances.

We rely on unaffiliated banks for the Automated Clearing House ("ACH") transaction process used to disburse the proceeds of working capital advances to our customers and to automatically collect scheduled payments on such working capital advances. As we are not a bank, we do not have the ability to directly access the ACH payment network, and must therefore rely on an FDIC-insured depository institution to process our transactions. If we cannot continue to obtain such services from our current institutions or elsewhere, or if we cannot transition to another processor quickly, our ability to fund working capital advances and process payments will suffer. If we fail to fund working capital advances promptly as expected, we risk loss of customers and damage to our reputation which could materially harm our business. If we fail to adequately collect amounts owing in respect of the working capital advances, as a result of the loss of direct debiting or otherwise, then payments to us may be delayed or reduced and our revenue and operating results may be harmed.

Risks Related to Our Company

Any disruption in the availability and/or functionality of our technology infrastructure and systems could adversely impact our business.

Our ability to acquire and originate SBC loans and manage any related interest rate risks and credit risks is critical to our success and is highly dependent upon the efficient and uninterrupted operation of our computer and communications hardware and software systems. For example, we will rely on our proprietary database to track and maintain all loan performance and servicing activity data for loans in our portfolio. This data is used to manage the portfolio, track loan performance, develop and execute asset disposition strategies. In addition, this data is used to evaluate and price new investment opportunities. Some of these systems will be located at our facility and some will be maintained by third-party vendors. Any significant interruption in the availability and functionality of these systems could harm our business. In the event of a systems failure or interruption by our third-party vendors, we will have limited ability to affect the timing and success of systems restoration. If such interruptions continue for a prolonged period of time, it could have a material and adverse impact on our business, results of operations and financial condition.

Cybersecurity risk and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The result of these incidents may include disrupted operations, misstated or unreliable financial data, disrupted market price of our common stock, misappropriation of assets, liability for stolen assets or information, increased cybersecurity protection and insurance cost, regulatory enforcement, litigation and damage to our relationships. These

risks require continuous and likely increasing attention and other resources from us to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for our employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that our efforts will be effective. Potential sources for disruption, damage or failure of our information technology systems include, without limitation, computer viruses, security breaches, human error, cyber- attacks, natural disasters and defects in design. Additionally, due to the size and nature of our company, we rely on third-party service providers for many aspects of our business. We can provide no assurance that the networks and systems that our third-party vendors have established or use will be effective. As our reliance on technology has increased, so have the risks posed to both our information systems and those provided by third-party service providers. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that our financial results, operations or confidential information will not be negatively impacted by such an incident.

We are highly dependent on information systems and communication systems; systems failures and other operational disruptions could significantly affect our business, which may, in turn, negatively affect our operating results and our ability to pay dividends to our stockholders.

Our business is highly dependent on our communications and our information systems, which may interface with or depend on systems operated by third parties, including market counterparties, loan originators and other service providers. Any failure or interruption of these systems could cause delays or other problems in our activities, including in our target asset origination or acquisition activities, which could have a material adverse effect on our operating results and negatively affect the value of our common stock and our ability to pay dividends to our stockholders.

Additionally, we rely heavily on financial, accounting and other data processing systems and operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in our operations may cause us to suffer financial loss, the disruption of our business, liability to third parties, regulatory intervention or reputational damage.

Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in such rules, accounting interpretations or our assumptions could adversely impact our ability to timely and accurately prepare our consolidated financial statements.

We are subject to Financial Accounting Standards Board ("FASB") standards and interpretations that can result in significant accounting changes that could have a material and adverse impact on our results of operations and financial condition. Accounting rules for financial instruments, including the acquisition and sales or securitization of mortgage loans, investments in ABS, derivatives, investment consolidations and other aspects of our anticipated operations are highly complex and involve significant judgment and assumptions. For example, our estimates and judgments are based on a number of factors, including projected cash flows from the collateral securing our SBC loans, the likelihood of repayment in full at the maturity of a loan, potential for an SBC loan refinancing opportunity in the future and expected market discount rates for varying property types. These complexities could lead to a delay in the preparation of financial information and the delivery of this information to our stockholders.

Changes in accounting rules, interpretations or our assumptions could also undermine our ability to prepare timely and accurate financial statements, which could result in a lack of investor confidence in our financial information and could materially and adversely affect the market price of our common stock.

Provisions for credit losses are difficult to estimate.

Our provision for loan losses is evaluated on a quarterly basis. The determination of our provision for loan losses requires us to make certain estimates and judgments, which may be difficult to determine. Our estimates and judgments are based on a number of factors, including (1) whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (2) the ability of the borrower to refinance the loan and (3) the property's liquidation value, all of which remain uncertain and are subjective. Our estimates and judgments may not be correct and, therefore, our results of operations and financial condition could be severely impacted.

On January 1, 2020, the Company adopted ASU No. 2016-13, *Financial Instruments-Credit Losses*, which replaces the "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the Current Expected Credit Loss ("CECL") model. Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment, at the net amount expected to be collected. The measurement of expected credit losses is to be based on past events including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and updated quarterly thereafter.

Risks Related to Our Relationship with Our Manager

We depend on Waterfall and its key personnel for our success. We may not find a suitable replacement for Waterfall if the management agreement with Waterfall is terminated, or if key personnel leave the employment of Waterfall or otherwise become unavailable to us.

We are dependent on Waterfall for our day-to-day management. Our Chief Financial Officer and Chief Operating Officer, who are employed by Waterfall, are dedicated exclusively to our business, and several of Waterfall's accounting professionals are also dedicated exclusively to our business, and such persons are expected to be dedicated to us. In addition, Waterfall or we may in the future hire additional personnel that may be dedicated to our business. However, other than our Chief Financial Officer and Chief Operating Officer, Waterfall is not obligated under the management agreement to dedicate any of its personnel exclusively to our business, nor is it or its personnel obligated to dedicate any specific portion of its or their time to our business. We will also be responsible for the costs of our own employees. However, with the exception of our subsidiaries, which will employ their own personnel, we do not expect to have our own employees. Accordingly, we believe that our success will depend to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of Waterfall. The executive officers and key personnel of Waterfall will evaluate, negotiate, structure, close and monitor our acquisitions of assets, and our success will depend on its continued service. The departure of any of the executive officers or key personnel of Waterfall could have a material adverse effect on our performance. In addition, we offer no assurance that Waterfall will remain our Manager or that we will continue to have access to Waterfall's principals and professionals. The current term of our management agreement with Waterfall runs through October 31, 2021 and, unless terminated in accordance with its terms, our management agreement will automatically renew for a successive one-year term on each anniversary thereafter. If the management agreement is terminated and no suitable replacement is found to manage the Company, we may not be able to execute our business plan.

Should one or more of Waterfall's key personnel leave the employment of Waterfall or otherwise become unavailable to the Company, Waterfall may not be able to find a suitable replacement and the Company may not be able to execute certain aspects of our business plan.

There are various conflicts of interest in our relationship with Waterfall which could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Waterfall and its affiliates. Our Chief Financial Officer and Chief Operating Officer are dedicated exclusively to us, along with several of Waterfall's accounting professionals, a marketing professional, and an information technology professional who are also dedicated primarily to us. With the exception of our subsidiaries, which will employ their own personnel, we do not expect to have our own employees. In addition, we expect that the Chief Executive Officer, President, portfolio managers and any other appropriate personnel of Waterfall will devote such portion of their time to our affairs as is necessary to enable us to effectively operate its business. Waterfall and our officers may have conflicts between their duties to us and their duties to, and interests in, Waterfall and its affiliates. Waterfall is not required to devote a specific amount of time or the services of any particular individual to our operations. Waterfall manages or provides services to other clients, and we will compete with these other clients for Waterfall's resources and support. The ability of Waterfall and its officers and personnel to engage in other business activities may reduce the time they spend advising us.

There may also be conflicts in allocating assets that are suitable for us and other clients of Waterfall and its affiliates. Waterfall manages a series of funds and a limited number of separate accounts, which focus on a range of ABS and other credit strategies. None of these other funds or separate accounts focus on SBC loans as their primary business strategy.

To address certain potential conflicts arising from our relationship with Waterfall or its affiliates, Waterfall has agreed in the side letter agreement that, for so long as the management agreement is in effect, neither it nor any of its affiliates will (i) sponsor or manage any additional investment vehicle where we do not participate as an investor whose primary investment strategy will involve SBC mortgage loans, unless Waterfall obtains the prior approval of a majority of our board of directors (including a majority of our independent directors), or (ii) acquire a portfolio of assets, a majority of which (by value or UPB) are SBC mortgage loans on behalf of another investment vehicle (other than acquisitions of SBC ABS), unless we are first offered the investment opportunity and a majority of our board of directors (including a majority of our independent directors) decide not to acquire such assets.

The side letter agreement does not cover SBC ABS acquired in the market and non-real estate secured loans and we may compete with other existing clients of Waterfall and its affiliates, other funds managed by Waterfall that focus on a range of ABS and other credit strategies and separately managed accounts, and future clients of Waterfall and its affiliates in acquiring SBC ABS, non-real estate secured loans and portfolios of assets less than a majority of which (by value or UPB) are SBC loans, and in acquiring other target assets that do not involve SBC loans.

We will pay Waterfall substantial management fees regardless of the performance of our portfolio. Waterfall's entitlement to a base management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking assets that provide attractive risk-adjusted returns for our portfolio. This in turn could hurt both our ability to make distributions to our stockholders and the market price of our common stock.

The management agreement was negotiated between related parties and their terms, including fees payable, may not be as favorable to us as if they had been negotiated with unaffiliated third parties.

The termination of the management agreement may be difficult and require payment of a substantial termination fee or other amounts, including in the case of termination for unsatisfactory performance, which may adversely affect our inclination to end our relationship with Waterfall.

Termination of the management agreement without cause is difficult and costly. Our independent directors will review Waterfall's performance and the management fees annually and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of at least a majority of the outstanding shares of the Company common stock (other than shares held by members of our senior management team and affiliates of Waterfall), based upon: (i) Waterfall's unsatisfactory performance that is materially detrimental to our Company, or (ii) a determination that the management fees or incentive distribution payable to Waterfall are not fair, subject to Waterfall's right to prevent termination based on unfair fees by accepting a reduction of management fees or incentive distribution agreed to by at least two-thirds of our independent directors. We must provide Waterfall with 180 days prior notice of any such termination. Additionally, upon such a termination by us without cause (or upon termination by Waterfall due to our material breach), the management agreement provides that we will pay Waterfall a termination fee equal to three times the average annual base management fee earned by Waterfall during the prior 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination, except upon an internalization. Additionally, if the management agreement is terminated under circumstances in which we are obligated to make a termination payment to Waterfall, our operating partnership shall repurchase, concurrently with such termination, the Class A special unit for an amount equal to three times the average annual amount of the incentive distribution paid or payable in respect of the Class A special unit during the 24-month period immediately preceding such termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination. These provisions may increase the cost to our Company of terminating the management agreement and adversely affect our ability to terminate Waterfall without cause.

If we internalize our management functions or if Waterfall is internalized by another sponsored program, we may be unable to obtain key personnel, and the consideration we pay for any such internalization could exceed the amount of any termination fee, either of which could have a material and adverse effect on our business, financial condition and results of operations.

We may engage in an internalization transaction, become self-managed and, if this were to occur, certain key employees may not become our employees but may instead remain employees of Waterfall or its affiliates. An inability to manage an internalization transaction effectively could thus result in us incurring excess costs and suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs, and our management's attention could be diverted from most effectively managing our investments.

Additionally, if another program sponsored by Waterfall internalizes Waterfall, key personnel of Waterfall, who also are key personnel of the other sponsored program, would become employees of the other program and would no longer be available to us. Any such loss of key personnel could adversely impact our ability to execute certain aspects of our business plan. Furthermore, in the case of any internalization transaction, we expect that we would be required to pay consideration to compensate Waterfall for the internalization in an amount that we will negotiate with Waterfall in good faith and which will require approval of at least a majority of our independent directors. It is possible that such consideration could exceed the amount of the termination fee that would be due to Waterfall if the conditions for terminating the management agreement without cause are satisfied and we elected to terminate the management agreement and payment of such consideration could have a material and adverse effect on our business, financial condition and results of operations.

The Class A special unit entitling Waterfall to an incentive distribution may induce Waterfall to make certain investments that may not be favorable to us, including speculative investments.

Under the partnership agreement of our operating partnership, Waterfall, the holder of the Class A special unit, will be entitled to receive an incentive distribution that may cause Waterfall to place undue emphasis on the maximization of our "distributable earnings", which is referred to as core earnings under the partnership agreement, at the expense of other criteria, such as preservation of capital, to achieve a higher incentive distribution. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our portfolio. For a discussion of the calculation of distributable earnings under the partnership agreement, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Incentive Distribution Payable to Our Manager" included in this annual report on Form 10-K.

Our board of directors will not approve each investment and financing decision made by Waterfall unless required by our investment guidelines.

We have authorized Waterfall to follow broad investment guidelines established by our board of directors. Our board of directors periodically reviews our investment guidelines and investment portfolio but does not, and is not required to, review all of our proposed investments. These investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders. To the extent that our board of directors approves material changes to the investment guidelines, we will inform stockholders of such changes through disclosure in our periodic reports and other filings required under the Exchange Act. In addition, in conducting its periodic reviews, our board of directors may rely primarily on information provided to them by Waterfall. Furthermore, Waterfall may use complex strategies, and transactions entered into may be costly, difficult or impossible to unwind by the time they are reviewed by our board of directors. Accordingly, Waterfall will have great latitude in determining the types and amounts of target assets it may decide are attractive investments for us, which could result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results.

Risks Related to Our Residential Mortgage Lending Business

Interest rate mismatches between our ARMs and RMBS backed by ARMs or hybrid ARMs and our borrowings used to fund our purchases of these assets may cause us to suffer losses.

We will likely fund our residential mortgage loans and RMBS with borrowings that have interest rates that adjust more frequently than the interest rate indices and repricing terms of ARMs and RMBS backed by ARMs or hybrid ARMs. Accordingly, if short-term interest rates increase, our borrowing costs may increase faster than the interest rates on our ARMs and RMBS backed by ARMs or hybrid ARMs adjust. As a result, in a period of rising interest rates, we could experience a decrease in net income or a net loss.

In most cases, the interest rate indices and repricing terms of ARMs and RMBS backed by ARMs or hybrid ARMs and our borrowings are not identical, thereby potentially creating an interest rate mismatch between our investments and our borrowings. While the historical spread between relevant short-term interest rate indices has been relatively stable, there have been periods when the spread between these indices was volatile. During periods of changing interest rates, these interest rate index mismatches could reduce our net income or produce a net loss, and adversely affect the level of our dividends and the market price of our common stock.

In addition, ARMs and RMBS backed by ARMs or hybrid ARMs are typically subject to lifetime interest rate caps that limit the amount an interest rate can increase through the maturity of the ARMs. However, our borrowings under

repurchase agreements typically are not subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, the interest rates paid on our borrowings could increase without limitation while caps could limit the interest rates on these types of assets. This problem is magnified for ARMs and RMBS backed by ARMs or hybrid ARMs that are not fully indexed. Further, some ARMs and RMBS backed by ARMs or hybrid ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we may receive less income on these types of assets than we need to pay interest on our related borrowings. These factors could reduce our net interest income and cause us to suffer a loss during periods of rising interest rates.

We may be subject to liability in connection with our residential mortgage loans for potential violations of consumer protection laws and regulations.

Federal consumer protection laws and regulations have been enacted and promulgated that are designed to regulate residential mortgage loan underwriting and originators' lending processes, standards, and disclosures to borrowers. These laws and regulations include the CFPB's Ability to Repay/Qualified Mortgage Rule ("ATR/QM Rule") under Regulation Z and Mortgage Servicing Rules under Regulation X and Regulation Z. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. For example, the federal Home Ownership and Equity Protection Act of 1994 prohibits inclusion of certain provisions in residential mortgage loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases may impose restrictions and requirements greater than those in place under federal laws and regulations. In addition, under the anti-predatory lending laws of some states, the origination of certain residential mortgage loans, including loans that are not classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the borrower. This test, as well as certain standards set forth in the ATR/QM Rule, may be highly subjective and open to interpretation. As a result, a court may determine that a residential mortgage loan did not meet the standard or test even if the originator reasonably believed such standard or test had been satisfied.

Mortgage loans also are subject to various other federal laws, including, among others:

- the Equal Credit Opportunity Act of 1974, as amended, and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act of 1968, as amended, in the extension of credit;

- the Truth in Lending Act, as amended ("TILA") and Regulation Z promulgated thereunder, which both require certain disclosures to the mortgagors regarding the terms of residential loans;

- the Real Estate Settlement Procedures Act, as amended ("RESPA") and Regulation X promulgated thereunder, which (among other things) prohibit the payment of referral fees for real estate settlement services (including mortgage lending and brokerage services) and regulate escrow accounts for taxes and insurance and billing inquiries made by mortgagors;

- the Americans with Disabilities Act of 1990, as amended, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation;

- the Fair Credit Reporting Act of 1970, as amended, and Regulation V promulgated thereunder, which regulates the use and reporting of information related to the borrower's credit history;

- the Consumer Financial Protection Act, enacted as part of the Dodd-Frank Act, which (among other things) created the CFPB and gave it broad rulemaking, supervisory and enforcement jurisdiction over mortgage lenders and servicers, and proscribes any unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service;

- the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"), under which residential mortgage loan originators employed by financial institutions, must register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier from the registry, and maintain their registration in order to originate residential mortgage loans;

- the Home Equity Loan Consumer Protection Act of 1988, which requires additional disclosures and limits changes that may be made to the loan documents without the mortgagor's consent, and restricts a mortgagee's ability to declare a default or to suspend or reduce a mortgagor's credit limit to certain enumerated events;
- the Depository Institutions Deregulation and Monetary Control Act of 1980, which pre-empts certain state usury laws;
- the Dodd-Frank Act, including as described above;
- the Service Members Civil Relief Act, as amended, which provides relief to borrowers who enter into active military service or who were on reserve status but are called to active duty after the origination of their mortgage loans;
- the Right to Financial Privacy Act, which, among other requirements, imposes a duty to maintain confidentiality of consumer financial records; and
- the Alternative Mortgage Transaction Parity Act of 1982, which pre-empts certain state lending laws which regulate alternative mortgage transactions.

Failure of us, residential mortgage loan originators, mortgage brokers or servicers to comply with these laws and regulations, could subject us to monetary penalties and defenses to foreclosure, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results.

GMFS is a seller/servicer approved to sell residential mortgage loans to Freddie Mac, Fannie Mae, the Housing and Urban Development ("HUD")/ FHA, the USDA, and the VA and failure to maintain its status as an approved seller/servicer could harm our business.

GMFS is an approved Fannie Mae Seller-Servicer, Freddie Mac Seller-Servicer, Ginnie Mae issuer, HUD/ FHA mortgage, USDA approved originator, and VA lender. As an approved seller/servicer, GMFS is required to conduct certain aspects of its operations in accordance with applicable policies and guidelines published by these entities. Failure to maintain GMFS's status as an approved seller/servicer would mean it would not be able to sell mortgage loans to these entities, could result in it being required to re-purchase loans previously sold to these entities, or could otherwise restrict our business and investment options and could harm our business and expose us to losses or other claims. Fannie Mae, Freddie Mac or these other entities may, in the future, require GMFS to hold additional capital or pledge additional cash or assets in order to maintain approved seller/servicer status, which, if required, would adversely impact our financial results.

GMFS operates within a highly regulated industry on a federal, state and local level and the business results of GMFS are significantly impacted by the laws and regulations to which GMFS is subject.

As a mortgage loan originator, GMFS is subject to extensive and comprehensive regulation under federal, state and local laws and regulations in the United States. These laws and regulations significantly affect the way that GMFS conducts its business and restrict the scope of the existing business of GMFS and may limit the ability of GMFS to expand its product offerings or can make the cost to originate and service mortgage loans higher, which could impact our financial results.

The CFPB adopted changes to its Mortgage Servicing Rules in August 2016. These may increase the costs of loss mitigation and increase foreclosure timelines. Other new regulatory requirements or changes to existing requirements that the CFPB may promulgate could require changes in the business of GMFS, result in increased compliance costs and impair the profitability of such business. In addition, as a result of the Dodd-Frank Act's expansion of the authority of state attorneys general to bring actions to enforce federal consumer protection legislation, GMFS could be subject to state lawsuits and enforcement actions, thereby further increasing the legal and compliance costs relating to GMFS. Amendments to the Mortgage Servicing Rules have increased the complexity of the loss mitigation and foreclosure processes and an inadvertent failure to comply with these rules could lead to losses in the value of the mortgage loans, be an event of default under various servicing agreements or subject GMFS to fines and penalties. The cumulative effect of these changes could result in a material impact on our earnings.

Additionally, the Dodd-Frank Act directed the CFPB to integrate certain mortgage loan disclosures under the TILA and RESPA, and in October 2015, these disclosure rules went into effect for newly originated residential mortgage loans. These rules include consumer disclosure document forms, processes for determining when disclosures must be updated

and timelines for providing disclosure documents to borrowers. These rules have created the need for substantial system and process changes at GMFS and training for its employees. CFPB further amended disclosure requirements under Regulation Z in 2017 and 2018. Failure to comply with these requirements may result in penalties for disclosure violations under the TILA and RESPA.

GMFS could be subject to additional regulatory requirements or changes under the Dodd-Frank Act beyond those currently proposed, adopted or contemplated, particularly given the ongoing heightened regulatory environment in which financial institutions operate. The ongoing implementation of the Dodd-Frank Act, including the implementation of the Mortgage Servicing Rules and the rules related to mortgage loan disclosures by the CFPB, could increase the regulatory compliance burden and associated costs of GMFS and place restrictions on the operations of GMFS, which could in turn adversely affect our financial condition and results of operations.

Mortgage loan modification and refinance programs as well as future legislative action may adversely affect the value of, and the returns on, the target assets in which we invest.

The U.S. Government, through the Federal Reserve, the FHA and the FDIC, commenced implementation of programs designed to provide homeowners with assistance in avoiding residential or commercial mortgage loan foreclosures, including the Home Affordable Modification Program, which provides homeowners with assistance in avoiding residential mortgage loan foreclosures, and the Home Affordable Refinance Program, which we refer to as HARP, which allows borrowers who are current on their mortgage payments to refinance and reduce their monthly mortgage payments at loan-to-value ratios without new mortgage insurance. The programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans.
Loan modification and refinance programs may adversely affect the performance of residential mortgage loans, Agency RMBS and non-Agency RMBS. Especially with non-Agency RMBS, a significant number of loan modifications with respect to a given security, including those related to principal forgiveness and coupon reduction, could negatively impact the realized yields and cash flows on such security. These loan modification programs, future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans, as well as changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac or Ginnie Mae, may adversely affect the value of, and the returns on, residential mortgage loans, non-Agency RMBS, Agency RMBS and our other target assets that we may purchase.

We may be affected by alleged or actual deficiencies in servicing and foreclosure practices of third parties, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings, inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization, and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Department of Justice and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in March 2012 with five of the nation's largest banks, pursuant to which the banks agreed to pay more than $25 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors in RMBS from pursuing additional actions against the banks and servicers in the future.

The integrity of the servicing and foreclosure processes are critical to the value of the residential mortgage loans and the RMBS collateralized by residential mortgage loans in which we will invest, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and our losses on, the residential mortgage loans and non-Agency RMBS we own or may originate or acquire. Foreclosure delays may also increase the administrative expenses of any securitization trusts that we may sponsor for non-Agency RMBS, thereby reducing the amount of funds available for distribution to our stockholders. In addition, the subordinate classes of securities issued by any such securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts,

rather than absorbing the default losses. This may reduce the amount of credit support available for the senior classes we may own, thus possibly adversely affecting these securities.

In addition, in these circumstances, we may be obligated to fund any obligation of the servicer to make advances on behalf of a delinquent loan obligor. To the extent that there are significant amounts of advances that need to be funded in respect of loans where we own the servicing right, it could have a material adverse effect on our business and financial results.

While we believe that the sellers and servicers would be in violation of their servicing contracts to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive and time consuming for us to enforce our contractual rights.

We will continue to monitor and review the issues raised by the alleged improper foreclosure practices. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our consolidated results of operations and financial condition.

Our MSRs will expose us to significant risks.

Fannie Mae and Freddie Mac generally require mortgage servicers to be paid a minimum servicing fee that significantly exceeds the amount a servicer would charge in an arm's-length transaction. Our residential MSRs are recorded at fair value on our balance sheet based upon significant estimates and assumptions, with changes in fair value included in our consolidated results of operations. Such estimates and assumptions would include, without limitation, estimates of future cash flows associated with our residential MSRs based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced mortgage loans.

The ultimate realization of the value of MSRs may be materially different than the fair values of such MSRs as may be reflected in our financial statements as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows. Accordingly, there may be material uncertainty about the value of our MSRs.

Changes in interest rates are a key driver of the performance of MSRs. Historically, the value of MSRs has increased when interest rates rise and decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. We may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent the we do not utilize derivatives to hedge against changes in the fair value of MSRs, our balance sheet, consolidated results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, MSRs as interest rates change.

Prepayment speeds significantly affect excess mortgage servicing fees. Prepayment speed is the measurement of how quickly borrowers pay down the unpaid principal balance of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. We will base the price we pay for MSRs and the rate of amortization of those assets on factors such as our projection of the cash flows from the related pool of mortgage loans. Our expectation of prepayment speeds will be a significant assumption underlying those cash flow projections. If prepayment speeds are significantly greater than expected, the carrying value of MSRs could exceed their estimated fair value. If the fair value of MSRs decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from MSRs, and we could ultimately receive substantially less than what we paid for such assets.

Moreover, delinquency rates have a significant impact on the valuation of any excess mortgage servicing fees. An increase in delinquencies will generally result in lower revenue because typically we will only collect servicing fees from agencies or mortgage owners for performing loans. If delinquencies are significantly greater than we expect, the estimated fair value of the MSRs could be diminished. When the estimated fair value of MSRs is reduced, we could suffer a loss, which could have a negative impact on our financial results.

Furthermore, MSRs are subject to numerous U.S. federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. Our failure

to comply, or the failure of the servicer to comply, with the laws, rules or regulations to which we or the servicer are subject by virtue of ownership of MSRs, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, financial condition, consolidated results of operations or cash flows.

GMFS originates residential mortgage loans which have risks of losses due to mortgage loan defaults or fraud.

GMFS currently originates loans that are eligible to be purchased, guaranteed or insured by Fannie Mae, Freddie Mac, FHA, VA and USDA through retail, correspondent and broker channels. GMFS may originate loans that are not guaranteed or insured by such agencies or channels, and the origination of these residential mortgage loans have risks of losses due to mortgage loan defaults or fraud. The ability of borrowers to make timely principal and interest payments could be adversely affected by changes in their personal circumstances, a rise in interest rates, a recession, declining real estate property values or other economic events, resulting in losses. Moreover, if a borrower defaults on a mortgage loan that GMFS or we own and if the liquidation proceeds from the sale of the property do not cover the loan amount and the legal, broker and selling costs, GMFS or we would experience a loss. We could experience losses if we fail to detect fraud, where a borrower or lending partner has misrepresented its financial situation or purpose for obtaining the loan, or an appraisal misrepresented the value of the property collateralizing its loan.

Currently, and in the future, some of the loans we may originate may be insured in part by mortgage insurers or financial guarantors. Mortgage insurance protects the lender or other holder of a loan up to a specified amount, in the event the borrower defaults on the loan. Mortgage insurance is generally obtained only when the principal amount of the loan at the time of origination is greater than 80% of the value of the property (loan-to-value), although it may not always be obtained in these circumstances. Any inability of the mortgage insurers to pay in full the insured portion of the loans that we hold would adversely affect the value of our loans, which could increase our credit risk, reduce our cash flows, or otherwise adversely affect our business.

We will hold and may originate or acquire additional residential mortgage loans and non-agency RMBS collateralized by subprime mortgage loans, which are subject to increased risks.

We, through GMFS and other subsidiaries, will hold and may originate or acquire additional subprime residential mortgage loans and non-agency RMBS backed by collateral pools of subprime mortgage loans that have been originated using underwriting standards that are less restrictive than those used in underwriting other higher quality mortgage loans. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories, mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, including lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent years experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of subprime mortgage loans and non-agency RMBS backed by subprime mortgage loans that we hold and may originate or acquire could be correspondingly adversely affected, which could adversely impact our consolidated results of operations, financial condition and business.

Deficiencies in the underwriting of newly originated residential mortgage loans may result in an increase in the severity of losses on our residential mortgage loans.

The underwriting of newly originated residential mortgage loans is different than the underwriting and investment process related to seasoned mortgage loans and RMBS, which focuses, in part, on performance history. Prior to originating or acquiring residential mortgage loans or other assets, GMFS or other subsidiaries may undertake underwriting and due diligence efforts with respect to various aspects of the loan or asset. When underwriting or conducting due diligence, GMFS or other subsidiaries rely on available resources and data, which may be limited, and on investigations by third parties.

The mortgage loan originator may also only conduct due diligence on a sample of a pool of loans or assets it is acquiring and assume that the sample is representative of the entire pool. These underwriting and due diligence efforts may not

reveal matters that could lead to losses. If the underwriting process is not robust enough or if we do not conduct adequate due diligence, or the scope of the underwriting or due diligence is limited, we may incur losses.

During the mortgage loan underwriting process, appraisals are generally obtained on the collateral underlying each prospective mortgage. The quality of these appraisals may vary widely in accuracy and consistency. The appraiser may feel pressure from the broker or lender to provide an appraisal in the amount necessary to enable the originator to make the loan, whether or not the value of the property justifies such an appraised value. Inaccurate or inflated appraisals may result in an increase in the severity of losses on the residential mortgage loans.

Although mortgage originators generally underwrite mortgage loans in accordance with their pre-determined loan underwriting guidelines, from time to time and in the ordinary course of business, originators may make exceptions to these guidelines. On a case-by-case basis, underwriters may determine that a prospective borrower that does not strictly qualify under the underwriting guidelines warrants an underwriting exception, based upon compensating factors. Compensating factors may include a lower LTV, a higher debt coverage ratio, experience as an owner or investor, higher borrower net worth or liquidity, stable employment, longer length of time in business and length of time owning the property. Loans originated with exceptions may result in a higher number of delinquencies and defaults.

Losses could occur due to a counterparty that sold loans to GMFS or other Company subsidiaries refusing to or being unable to repurchase that loan or pay damages related to breaches of representations made by the seller.

Losses could occur due to a counterparty that sold loans or other assets to GMFS or other Company subsidiaries refusing to or being unable to (e.g., due to its financial condition) repurchase loans or pay damages if it is determined subsequent to purchase that one or more of the representations or warranties made to GMFS or other Company subsidiaries in connection with the sale was inaccurate.

Even if GMFS or another Company subsidiary obtains representations and warranties from the loan seller counterparties they may not parallel the representations and warranties GMFS or other Company subsidiaries make to subsequent purchasers of the loans or may otherwise not protect the seller from losses, including, for example, due to the counterparty being insolvent or otherwise unable to make payments arising out of damages for a breach of representation or warranty. Furthermore, to the extent the counterparties from which loans were acquired have breached their representations and warranties, such breaches may adversely impact our business relationship with those counterparties, including by reducing the volume of business our subsidiaries conduct with those counterparties, which could negatively impact their ability to acquire loans and the larger mortgage origination business. To the extent our Company subsidiaries have significant exposure to representations and warranties made to them by one or more counterparties, we may determine, as a matter of risk management, to reduce or discontinue loan acquisitions from those counterparties, which could reduce the volume of mortgage loans available for acquisition and negatively impact our business and financial results.

The diminished level of Freddie Mac participation in, and other changes in the role of Freddie Mac in, the mortgage market may adversely affect our business.

In September 2008, FHFA placed Fannie Mae and Freddie Mac in conservatorship and undertook the extraordinary dual role of supervisor and conservator. FHFA's conservatorships are of unprecedented scope, scale, and complexity. While in conservatorship, Fannie Mae and Freddie Mac have required $187.5 billion in financial investment from the Treasury to avert insolvency, and, through the start of 2017, have paid to Treasury over $255 billion in dividends. Despite their high leverage, lack of capital, conservatorship status, and uncertain future, the combined Fannie Mae and Freddie Mac have grown in size during conservatorship and, according to FHFA, their combined market share of newly issued MBS is more than 65%. In mid-2017, their combined total assets were approximately $5.3 trillion and their combined debt exceeded $5 trillion. Although market conditions have improved and Fannie Mae and Freddie Mac have returned to profitability, their ability to sustain profitability in the future cannot be assured for a number of reasons: the winding down of their investment portfolios and reduction in net interest income; the level of guarantee fees they will be able to charge and keep; the future performance of their business segments; and the significant uncertainties involving key market drivers such as mortgage rates, homes prices, and credit standards. Fannie Mae and Freddie Mac will also be required to eliminate their capital cushion by the end of 2018 and in any quarter in which they suffer a loss, will have to once again draw funds from Treasury to cover such losses. To address these challenges, a number of reform proposals have been introduced and suggested, but none have passed a congressional vote.

If Freddie Mac participation in the mortgage market were reduced or eliminated, or its structures were to change, our ability to originate and service loans under the Freddie Mac program could be adversely affected. These developments

could also materially and adversely impact the pricing of our potential future Freddie Mac loan and ABS portfolio. Additionally, the current support provided by the Treasury to Freddie Mac, and any additional support it may provide in the future, could have the effect of lowering the interest rates we expect to receive from such assets, thereby tightening the spread between the interest we earn on these assets and the cost of financing these assets. Future legislation affecting Freddie Mac may create market uncertainty and have the effect of reducing the actual or perceived credit quality of Freddie Mac and the securities issued or guaranteed by it. As a result, such laws could increase the risk of loss on our investments related to the Freddie Mac program. It also is possible that such laws could adversely impact the market for such assets and the spreads at which they trade.

Risks Related to Our SBA Business

We may encounter risks associated with originating or acquiring SBA loans.

We will originate SBA loans and sell the guaranteed portion of such SBA loans into the secondary market. These sales may result in collecting cash premiums, creating a stream of future servicing spread or both. There can be no assurance that we will originate these loans, that a secondary market will exist or that we will realize premiums upon the sale of the guaranteed portion of these loans.

We may acquire SBA loans or originate SBA loans and sell the guaranteed portion of such SBA loans and retain the credit risk on the non-guaranteed portion of such loans. We would then expect to share pro-rata with the SBA in any recoveries. In the event of default on an SBA loan, our pursuit of remedies against a borrower would be subject to SBA rules and in some instances SBA approval. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us. With respect to the guaranteed portion of SBA loans that may be sold by us, the SBA would first honor its guarantee and then may seek compensation from us in the event that a loss is deemed to be attributable to technical deficiencies. There can be no assurance that we will not experience a loss due to significant deficiencies with our underwriting or servicing of SBA loans.

In certain instances, including liquidation or charge-off of an SBA guaranteed loan, we may have a receivable for the SBA's guaranteed portion of legal fees, operating expenses, property taxes paid etc. related to the loan or the collateral (upon foreclosure). While we may believe expenses incurred were justified and necessary for the care and preservation of the collateral and within the established rules of the SBA, there can be no assurance that the SBA will reimburse us. In addition, obtaining reimbursement from the SBA may be a time consuming and lengthy process and the SBA may seek compensation from us related to reimbursement of expenses that it does not believe were necessary for the care and preservation of a loan or its collateral and no assurance can be given that the SBA will not decline to reimburse us for our portion of material expenses.

A government shutdown or curtailment of the government-guaranteed loan programs could cut off an important segment of our business, and may adversely affect our SBA loan program acquisitions, originations and results of operations.

Although the program has been in existence since 1953, there can be no assurance that the federal government will maintain the SBA program, or that it will continue to guarantee loans at current levels. If we cannot acquire, make or sell government-guaranteed loans, we may generate less interest income, fewer origination fees, and our ability to generate gains on sale of loans may decrease. From time-to-time, the government agencies that guarantee these loans reach their internally budgeted limits and cease to guarantee loans for a stated time period. In addition, these agencies may change their rules for loans. Also, Congress may adopt legislation that could have the effect of discontinuing or changing the programs. Non-governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. If these changes occur, the volume of loans to small business and industrial borrowers of the types that now qualify for government-guaranteed loans could decline, as could the profitability of these loans.

Our lending business could be materially and adversely affected by circumstances or events limiting the availability of funds for SBA loan programs. A government shutdown occurred in October 2013 and December 2018 that affected the ability of entities to originate SBA loans because Congress failed to approve a budget which in turn eliminated the availability of funds for these programs. A government shutdown could occur again, which may affect our ability to originate government guaranteed loans and to sell the government guaranteed portions of those loans in the secondary market. A government shutdown may adversely affect our SBA loan program acquisitions and originations and our results of operations.

Risks Related to Financing and Hedging

We use leverage as part of our investment strategy but we do not have a formal policy limiting the amount of debt we may incur. Our board of directors may change our leverage policy without stockholder consent.

We will use prudent leverage to increase potential returns to our stockholders. As of December 31, 2020, our committed and outstanding financing arrangements included:

($ in thousands)	Commitment	Carrying Value	Available	Maturity Dates
Secured borrowings (warehouse credit facilities and borrowings under repurchase agreements, excluding agency)	$ 2,210,181	$ 998,566	$ 1,211,615	2021 - 2023
Secured borrowings (agency)	600,222	371,953	228,269	2021 - 2022
Senior secured notes, net	179,659	179,659	—	2022
Corporate bonds, net	150,989	150,989	—	2021 - 2026
Convertible bonds, net	112,129	112,129	—	2023
Total recourse debt	**$ 3,253,180**	**$ 1,813,296**	**$ 1,439,884**	**2021 - 2026**
Securitized debt obligations, net	$ 1,905,749	$ 1,905,749	$ —	2021 - 2026 (a)
Total non-recourse debt	**$ 1,905,749**	**$ 1,905,749**	**$ —**	**2021 - 2026**

(a) Represents estimated pay off of debt based on prepayment speeds of underlying collateral.

For further information on these funding sources see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” included in this annual report on Form 10-K. Over time, as market conditions change, we plan to use these and other borrowings.

The return on our assets and cash available for distribution to our stockholders may be reduced to the extent that market conditions prevent us from leveraging our assets or cause the cost of our financing to increase relative to the income that can be derived from the assets acquired. Our financing costs will reduce cash available for distribution to stockholders. We may not be able to meet our financing obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations. A decrease in the value of our assets that are subject to repurchase agreement financing may lead to margin calls that we will have to satisfy. We may not have the funds available to satisfy any such margin calls and may be forced to sell assets at significantly depressed prices due to market conditions or otherwise, which may result in losses. The satisfaction of any such margin calls may reduce cash flow available for distribution to our stockholders. Any reduction in distributions to our stockholders may cause the value of our common stock to decline.

We may not be able to successfully complete additional securitization transactions, which could limit potential future sources of financing and could inhibit the growth of our business.

We may use our existing credit facilities or repurchase agreements or, if we are successful in entering into definitive documentation in respect of our other potential financing facilities, other borrowings to finance the origination and/or acquisition of SBC loans until a sufficient quantity of eligible assets has been accumulated, at which time we would refinance these short-term facilities or repurchase agreements through the securitization market, which could include the creation of CMBS, collateralized debt obligations (“CDOs”), or the private placement of loan participations or other long-term financing. When we employ this strategy, we are subject to the risk that we would not be able to obtain, during the period that our short-term financing arrangements are available, a sufficient amount of eligible assets to maximize the efficiency of a CMBS, CDO or private placement issuance. We are also subject to the risk that we will not able to obtain short-term financing arrangements or will not be able to renew any short-term financing arrangements after they expire should we find it necessary to extend such short-term financing arrangements to allow more time to obtain the necessary eligible assets for a long-term financing.

The inability to consummate securitizations of our portfolio to finance our SBC loan and ABS assets on a long-term basis could require us to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could have a material and adverse effect on our business, financial condition and results of operations.

Uncertainty regarding the expected discontinuance of the London interbank offered rate (“LIBOR”) and transition to alternative reference rates may adversely impact our borrowings and assets.

In July 2017, the United Kingdom Financial Conduct Authority, which regulates the LIBOR administrator, ICE Benchmark Administration Limited ("IBA"), announced that it would cease to compel banks to participate in settling LIBOR as a benchmark by the end of 2021. Such announcement indicates that market participants cannot rely on LIBOR

being published after 2021. On December 4, 2020, the IBA published a consultation on its intention to cease the publication of LIBOR. For the most commonly used tenors (overnight and one, three, six and 12 months) of U.S. dollar LIBOR, the IBA is proposing to cease publication immediately after June 30, 2023, anticipating continued rate submissions from panel banks for these tenors of U.S. dollar LIBOR. The IBA's consultation also proposes to cease publication of all other U.S. dollar LIBOR tenors, and of all non-U.S. dollar LIBOR rates, after December 31, 2021. The FCA and U.S. bank regulators have welcomed the IBA's proposal to continue publishing certain tenors for U.S. dollar LIBOR through June 30, 2023 because it would allow many legacy U.S. dollar LIBOR contracts that lack effective fallback provisions and are difficult to amend to mature before such LIBOR rates experience disruptions. U.S. bank regulators are, however, encouraging banks to cease entering into new financial contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. Given consumer protection, litigation, and reputation risks, U.S. bank regulators believe entering into new financial contracts that use LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks. In addition, they expect new financial contracts to either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR's discontinuation. Although the foregoing may provide some sense of timing, there is no assurance that LIBOR, of any particular currency and tenor, will continue to be published or be representative of the underlying market until any particular date, and it appears highly likely that LIBOR will be discontinued or modified after December 31, 2021 or June 30, 2023, depending on the currency and tenor.

The Alternative Reference Rates Committee, a group of private-market participants convened by the U.S. Federal Reserve Board and the New York Federal Reserve, has recommended the Secured Overnight Financing Rate ("SOFR") as a more robust reference rate alternative to U.S. dollar LIBOR. The use of SOFR as a substitute for U.S. dollar LIBOR is voluntary and may not be suitable for all market participants. SOFR is calculated based on overnight transactions under repurchase agreements, backed by Treasury securities. SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than U.S. dollar LIBOR and is less likely to correlate with the funding costs of financial institutions. To approximate economic equivalence to LIBOR, SOFR can be compounded over a relevant term and a spread adjustment may be added. Market practices related to SOFR calculation conventions continue to develop and may vary, and inconsistent calculation conventions may develop among financial products.

Many of our debt and interest rate hedge agreements are linked to U.S. dollar LIBOR. We expect that a significant portion of these financing arrangements and loan assets will not have matured, been prepaid or otherwise terminated prior to the time at which the IBA ceases to publish LIBOR. It is not possible to predict all consequences of the IBA's proposals to cease publishing LIBOR, any related regulatory actions and the expected discontinuance of the use of LIBOR as a reference rate for financial contracts. Some of our debt and loan assets may not include robust fallback language that would facilitate replacing LIBOR with a clearly defined alternative reference rate after LIBOR's discontinuation, and we may need to amend these before the IBA ceases to publish LIBOR. If such debt or loan assets mature after LIBOR ceases to be published, our counterparties may disagree with us about how to calculate or replace LIBOR. Even when robust fallback language is included, there can be no assurance that the replacement rate plus any spread adjustment will be economically equivalent to LIBOR, which could result in a lower interest rate being paid to us on such assets. Modifications to any debt, loan assets, interest rate hedging transactions or other contracts to replace LIBOR with an alternative reference rate could result in adverse tax consequences.

In addition, any resulting differences in interest rate standards among our assets and our financing arrangements may result in interest rate mismatches between our assets and the borrowings used to fund such assets. Furthermore, the transition away from LIBOR may adversely impact our ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations, financial condition, and stock price. While we expect LIBOR to be available in substantially its current form until the end of 2021, if a significant number of panel banks decline to provide LIBOR submissions to the IBA, it is possible that LIBOR will become unrepresentative of the underlying market and subject to increased volatility prior to such date. Should that occur, the risks associated with the transition to alternative reference rates will be accelerated and magnified.

Through certain of our subsidiaries we may engage in securitization transactions relating to mortgage loans, which would expose us to potentially material risks.

Through certain of our subsidiaries we may engage in securitization transactions relating to mortgage loans, which generally would require us to prepare marketing and disclosure documentation, including term sheets and prospectuses, which include disclosures regarding the securitization transactions and the assets being securitized. If our marketing and disclosure documentation are alleged or found to contain inaccuracies or omissions, we may be liable under federal and state securities laws (or under other laws) for damages to third parties that invest in these securitization transactions, including in circumstances where we relied on a third party in preparing accurate disclosures, or we may incur other expenses and costs in connection with disputing these allegations or settling claims.

In recent years there has also been debate as to whether there are defects in the legal process and legal documents governing transactions in which securitization trusts and other secondary purchasers take legal ownership of mortgage loans and establish their rights as first priority lien holders on underlying mortgaged property. To the extent there are problems with the manner in which title and lien priority rights were established or transferred, securitization transactions that we may sponsor and third-party sponsored securitizations that we hold investments in may experience losses, which could expose us to losses and could damage our ability to engage in future securitization transactions.

Our potential securitization activities could expose us to litigation, adversely affecting our business and financial results.

Through certain of our subsidiaries we may engage in or participate in securitization transactions relating to mortgage loans. As a result of declining property values, increasing defaults, changes in interest rates, or other factors, the aggregate cash flows from the loans held by any securitization entity that we may sponsor and the securities and other assets held by these entities may be insufficient to repay in full the principal amount of ABS issued by these securitization entities. We do not expect to be directly liable for any of the ABS issued by these entities. Nonetheless, third parties who hold the ABS issued by these entities may try to hold us liable for any losses they experience, including through claims under federal and state securities laws or claims for breaches of representations and warranties we would make in connection with engaging in these securitization transactions.

Defending a lawsuit can consume significant resources and may divert management's attention from our operations. We may be required to establish reserves for potential losses from litigation, which could be material. To the extent we are unsuccessful in our defense of any lawsuit, we could suffer losses, which could be in excess of any reserves established relating to that lawsuit, and these losses could be material.

We may be required to repurchase mortgage loans or indemnify investors if we breach representations and warranties, which could harm our earnings.

We have sold and, on occasion, consistent with our qualification as a REIT and our desire to avoid being subject to the "prohibited transaction" penalty tax, we may sell some of our loans in the secondary market or as a part of a securitization of a portfolio of our loans. When we sell loans, we are required to make customary representations and warranties about such loans to the loan purchaser. Our mortgage loan sale agreements may require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Likewise, we may be required to repurchase or substitute loans if we breach a representation or warranty in connection with our securitizations, if any.

The remedies available to a purchaser of mortgage loans are generally broader than those available to us against the originating broker or correspondent. Further, if a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. They are also typically sold at a significant discount to the UPB. Significant repurchase activity could harm our cash flow, results of operations, financial condition and business prospects.

Certain financing arrangements restrict our operations and expose us to additional risk.

Our existing financing arrangements, including the Senior Secured Notes, Convertible Notes, and our future financing arrangements are or will be governed by a credit agreement, indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have

rights, preferences and privileges more favorable than those of our common stock. We will bear the cost of issuing and servicing such credit facilities, arrangements or securities.

These restrictive covenants and operating restrictions could have a material adverse effect on our operating results, cause us to lose our REIT status, restrict our ability to finance or securitize new originations and acquisitions, force us to liquidate collateral and negatively affect the market price of our common stock and our ability to pay dividends. For further information on these covenants see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" included in this annual report on Form 10-K.

Our securitizations may also reduce and/or restrict our available cash needed to pay dividends to our stockholders in order to satisfy the REIT requirements. Under the terms of the securitization, excess interest collections with respect to the securitized loans are distributed to us as the trust certificate holder once the overcollateralization target is reached and maintained. If the securitized loans experience delinquencies exceeding default triggers specified in the securitizations, the excess interest collections will be paid to the noteholders as additional principal payments on the notes. If excess interest collections are paid to noteholders rather than to us, we will be required to use cash from other sources to pay dividends to our stockholders in order to satisfy the REIT requirements or to fund our ongoing operations.

The repurchase agreements that we will use to finance our assets will restrict us from leveraging our assets as fully as desired, and may require us to provide additional collateral.

We may use credit facilities together with other borrowings structured as repurchase agreements to finance our assets. If the market value of the assets pledged or sold by us under a repurchase agreement borrowing to a financing institution declines, we will normally be required by the financing institution to pay down a portion of the funds advanced, but we may not have the funds available to do so, which could result in defaults. Repurchase agreements that we may use in the future may also require us to provide additional collateral if the market value of the assets pledged or sold by us to a financing institution declines. Posting additional collateral to support our credit will reduce our liquidity and limit our ability to leverage our assets, which could adversely affect our business. In the event we do not have sufficient liquidity to meet such requirements, financing institutions can accelerate repayment of our indebtedness, increase interest rates, liquidate our collateral or terminate our ability to borrow. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for bankruptcy protection. For further information on our repurchase agreements see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" included in this annual report on Form 10-K.

Further, financial institutions providing the repurchase facilities may require us to maintain a certain amount of cash that is not invested or to set aside non-leveraged assets sufficient to maintain a specified liquidity position that would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying asset back to us at the end of the transaction term, or if the value of the underlying asset has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will incur losses on our repurchase transactions.

Under repurchase agreement financings, we generally sell assets to lenders (that is, repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same assets back to us at the end of the term of the transaction, which typically ranges from 30 to 90 days, but which may have terms of up to 364 days or longer. Because the cash we will receive from the lender when it initially sells the assets to the lender is less than the value of those assets (this is referred to as the haircut), if the lender defaults on its obligation to resell the same assets back to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the assets). We would also incur losses on a repurchase transaction if the value of the underlying assets has declined as of the end of the transaction term, as we would have to repurchase the assets for their initial value but would receive assets worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender will be able to terminate the transaction and cease entering into any other repurchase transactions with us. It is also possible that our repurchase agreements will contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. If a default occurs under any of our repurchase agreements and the lenders terminate one or more of our repurchase agreements, we may need to enter into replacement repurchase agreements with different lenders. There can be no assurance that we will be successful in entering into such replacement

repurchase agreements on the same terms as the repurchase agreements that were terminated or at all. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders.

Our rights under our repurchase agreements may be subject to the effects of bankruptcy laws in the event of the bankruptcy or insolvency of our Company or our lenders under the repurchase agreements, which may allow our lenders to repudiate our repurchase agreements.

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

The change of control provisions in the Convertible Notes and the Corporate Debt and the related indentures could deter, delay or prevent an otherwise beneficial merger, acquisition, tender offer or other takeover attempt involving our Company.

The change of control provisions in the Convertible Notes and Corporate Debt and the related indentures could make it more difficult or more expensive for a third-party to acquire our Company. If a merger, acquisition, tender offer or other takeover attempt involving our Company by a third-party constitutes a change of control under the related indentures, we or ReadyCap Holdings, LLC ("ReadyCap Holdings") may be required to offer to repurchase all of the Convertible Notes and the Corporate Debt. As a result, our obligations under the Convertible Notes and the Corporate Debt could increase the cost of acquiring our Company or otherwise discourage a third party from acquiring our Company.

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

Subject to maintaining our qualification as a REIT, part of our strategy involves entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of a hedging instrument caused by an event of default or other early termination event). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges, and these economic losses will be reflected in our results of operations. We may also be required to provide margin to our counterparties to collateralize our obligations under hedging agreements. Our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time. The need to fund these obligations could adversely impact our financial condition.

Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Subject to maintaining our qualification as a REIT, we will likely pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest and foreign currency rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, exchange rates, the type of assets held and other changing market conditions. Hedging may fail to protect or could adversely affect us because, among other things:

- interest rate, currency and/or credit hedging can be expensive and may result in us receiving less interest income;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments or "mark-to-market" losses would reduce earnings or stockholders' equity;

- the market value of derivatives used for hedging may decrease from time to time, which may require us to deliver additional margin to our counterparties;
- the amount of income that a REIT may earn from non-qualifying hedging transactions (other than through taxable REIT subsidiaries ("TRSs")) to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay; and
- the duration of the hedge may not match the duration of the related liability.

In general, when we acquire an SBC loan or ABS asset, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that effectively fixes our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates, because the borrowing costs are fixed for the duration of the fixed-rate portion of the related SBC loan or ABS asset.

However, if prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results of operations, as borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the SBC loan or ABS asset would remain fixed. This situation may also cause the market value of our SBC loan or ABS asset to decline, with little or no offsetting gain from the related hedging transactions. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

In addition, the use of this swap hedging strategy effectively limits increases in our book value in a declining rate environment, due to the effectively fixed nature of our hedged borrowing costs. In an extreme rate decline, prepayment rates on our assets might actually result in certain of our assets being fully paid off while the corresponding swap or other hedge instrument remains outstanding. In such a situation, we may be forced to terminate the swap or other hedge instrument at a level that causes us to incur a loss.

Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Our use of derivatives may expose us to counterparty and other risks.

We will likely enter into over-the-counter interest rate swap agreements to hedge risks associated with movements in interest rates. Because such interest rate swaps are not cleared through a central counterparty, the counterparty's performance is not guaranteed by a clearing house. As a result, if a swap counterparty cannot perform under the terms of an interest rate swap, we would not receive payments due under that agreement, we may lose any unrealized gain associated with the interest rate swap and the hedged liability would cease to be hedged by the interest rate swap. We may also be at risk for any collateral we have pledged to secure our obligation under the interest rate swap if the counterparty becomes insolvent or files for bankruptcy.

The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our commitments, if any, at the then current market price. Although generally we will seek to reserve the right to terminate our hedging positions, we may not always be able to dispose of or close out a hedging position without the consent of the hedging counterparty and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot provide any assurances that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

Derivative instruments are also subject to liquidity risk and may be difficult or impossible to sell, close out or replace quickly and at the price that reflects the fundamental value of the instrument. Although both over-the-counter and exchange-traded markets may experience lack of liquidity, over-the-counter, non-standardized derivative transactions are generally less liquid than exchange-traded instruments.

Furthermore, derivative transactions are subject to increasing statutory and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Recently, new regulations have been promulgated by U.S. and foreign regulators attempting to strengthen oversight of derivative contracts. Any actions taken by regulators could constrain our strategy and could increase our costs, either of which could materially and adversely impact our operations.

In particular, the Dodd-Frank Act requires certain derivatives, including certain interest rate swaps, to be executed on a regulated market and cleared through a central counterparty. Unlike uncleared swaps, the counterparty for the cleared swaps is the clearing house, which reduces counterparty risk. However, cleared swaps require us to appoint clearing brokers and to post margin in accordance with the clearing house's rules, which has resulted in increased costs for cleared swaps over uncleared swaps. Margin requirements for uncleared swaps have recently been issued by certain regulators, and requirements from other regulators are expected to be issued soon. Starting March 1, 2017, these rules require us to post margin for uncleared swaps with swap dealers. The margin for both cleared and uncleared swaps will generally be limited to cash and certain types of securities. These requirements may increase the costs of hedging and induce us to change or reduce our use of hedging transactions.

Regulation as a commodity pool operator could subject us to additional regulation and compliance requirements, which could materially adversely affect our business and financial condition.

The Dodd-Frank Act extended the reach of commodity regulations for the first time to include not just traditional futures contracts but also derivative contracts referred to as "swaps." As a consequence of this change, any investment fund that trades in swaps may be considered a "commodity pool," which would cause its operator to be regulated as a commodity pool operator ("CPO"). Under the new requirements, CPOs must register or file for an exemption from registration with the National Futures Association, the self-regulatory organization for swaps and other financial instruments regulated by the U.S. Commodity Futures Trading Commission ("CFTC"), and become subject to regulation by the CFTC, including with respect to disclosure, recordkeeping and reporting.

On December 7, 2012, the CFTC issued a no-action letter that provides mortgage REITs relief from such registration (the "No-Action Letter"), if they meet certain conditions and submit a claim for such no-action relief by email to the CFTC. We believe we will meet the conditions set forth in the No-Action Letter and we have filed our claim with the CFTC to perfect the use of the no-action relief from registration. However, if in the future we do not meet the conditions set forth in the No-Action Letter or the relief provided by the No-Action Letter becomes unavailable for any other reason and we are unable to obtain another exemption from registration, we may be required to reduce or eliminate our use of interest rate swaps or vary the manner in which we deploy interest rate swaps in our business and we or our directors may be required to register with the CFTC as CPOs and our Manager may be required to register as a "commodity trading advisor" with the CFTC, which will require compliance with CFTC rules and subject us, our board of directors and our Manager to regulation by the CFTC. In the event registration for our Company, our directors or our Manager is required but is not obtained, we, our board of directors or our Manager may be subject to fines, penalties and other civil or governmental actions or proceedings, any of which could have a material adverse effect on our business, financial condition and results of operations. The costs of compliance with the CFTC regulations, or the changes to our hedging strategy necessary to avoid their application, could have a material adverse effect on our business, financial condition and results of operations.

If we attempt to qualify for hedge accounting treatment for our derivative instruments, but we fail to qualify, we may suffer losses because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction.

We record derivative and hedging transactions in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under these standards, we may fail to qualify for, or choose not to elect, hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the definition of a derivative (such as short sales), we fail to satisfy hedge documentation, and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for, or choose not to elect, hedge accounting treatment, our operating results may be volatile because changes in the fair value of the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction or item.

Risks Related to Taxation as a REIT

Our failure to qualify as a REIT, or the failure of our predecessor to qualify as a REIT, would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

We have been organized and operated and intend to continue to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2011. We have not requested and do not intend to request a ruling from the Internal Revenue Service (the "IRS"), that we qualify as a REIT. The U.S. federal income tax laws governing REITs are complex, and judicial and administrative interpretations of the U.S. federal income tax laws governing REIT qualification are limited. The complexity of these provisions and of applicable Treasury Regulations is greater in the case of a REIT that, like us, holds our assets through a partnership. To qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we may not obtain independent appraisals. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes. Furthermore, we hold certain assets through our ownership interest in Ready Capital Subsidiary REIT I, LLC, which we refer to as our subsidiary REIT. Our ability to qualify as a REIT is dependent in part on the REIT qualification of our subsidiary REIT, which is required to separately satisfy each of the REIT requirements in order to qualify as a REIT. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. These considerations also might restrict the types of assets that we can acquire in the future.

If we fail to qualify as a REIT in any taxable year, and do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our net taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

As further described above, on October 31, 2016, our predecessor entity merged with and into a subsidiary of ZAIS Financial, with ZAIS Financial surviving the merger and changing its name to Sutherland Asset Management Corporation, and, as described above, subsequently changed its name to Ready Capital Corporation. In addition, as further described above, we completed our acquisition of ORM on March 29, 2019. If prior to the ZAIS Financial merger our predecessor ("Pre-Merger Sutherland") failed to qualify as a REIT, or if prior to our acquisition of ORM, ORM failed to qualify as a REIT, we could fail to qualify as a REIT as a result. Even if we retained and continue to retain our REIT qualification, if Pre-Merger Sutherland failed to qualify as a REIT for any taxable year prior to the ZAIS Financial merger, or if ORM failed to qualify as a REIT prior to our acquisition of ORM, we would face serious tax consequences that could substantially reduce the cash available for distribution to our stockholders because (i) we, as successor to Pre-Merger Sutherland in the ZAIS Financial merger and as successor to ORM in the ORM acquisition, generally inherited any corporate income, excise and other tax liabilities of Pre-Merger Sutherland and ORM, respectively; (ii) we would be subject to tax on the built-in gain on each asset of Pre-Merger Sutherland existing at the time of the merger or each asset of ORM at the time of our acquisition of ORM, as applicable; and (iii) we could be required to employ applicable deficiency dividend procedures (which would include the payment of penalties and interest to the IRS) to eliminate any earnings and profits accumulated by Pre-Merger Sutherland or ORM for taxable periods that it did not qualify as a REIT. As a result, any failure by Pre-Merger Sutherland or ORM to qualify as a REIT could impair our ability to expand our business and raise capital, and could materially adversely affect the value of our common stock.

The percentage of our assets represented by TRSs and the amount of our income that we can receive in the form of TRS dividends and interest are subject to statutory limitations that could jeopardize our REIT qualification and could limit our ability to acquire or force us to liquidate otherwise attractive investments.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. In order to treat a subsidiary of the REIT as a TRS, both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. In order to qualify as a REIT, no more than 20% of the value of our gross assets at the end of each calendar quarter may consist of securities of one or more TRSs. A significant portion of our activities are conducted through our TRSs, and we expect that such TRSs will from time to time hold significant assets.

We have elected, together with each of ReadyCap Holdings, Ready Capital TRS I, LLC and RC Knight Holdings, LLC, for each such entity to be treated as a TRS, and we may make TRS elections with respect to certain other entities we may form in the future (collectively referred to herein as "our TRSs"). While we intend to manage our affairs so as to satisfy the TRS limitation, there can be no assurance that we will be able to do so in all market circumstances.

In order to satisfy the TRS limitation, we have been required to and may in the future be required to acquire assets that we otherwise would not acquire, liquidate or restructure assets that we hold through ReadyCap Holdings or any of our TRSs, or otherwise engage in transactions that we would not otherwise undertake absent the requirements for REIT qualifications. Each of these actions could reduce the distributions available to our stockholders. In addition, we and our subsidiary REIT have made loans to our TRSs that meet the requirements to be treated as qualifying investments of new capital, which is generally treated as a real estate asset under the Code. Because such loans are treated as real estate assets for purposes of the REIT requirements, we do not treat these loans as TRS securities for purposes of the TRS asset limitation, which is consistent with private rulings issued by the IRS. However, no assurance can be provided that the IRS may not successfully assert that such loans should be treated as securities of our TRSs or our subsidiary REIT's TRSs, which could adversely impact our qualification as a REIT. In addition, our TRSs have obtained financing in transactions in which we and our other subsidiaries have provided guaranties and similar credit support. Although we believe that these financings are properly treated as financings of our TRSs for U.S. federal income tax purposes, no assurance can be provided that the IRS would not assert that such financings should be treated as issued by other entities in our structure, which could impact our compliance with the TRS limitation and the other REIT requirements. Moreover, no assurance can be provided that we will be able to successfully manage our asset composition in a manner that causes us to satisfy the TRS limitation each quarter, and our failure to satisfy this limitation could result in our failure to qualify as a REIT.

Any distributions we receive from our TRSs are classified as dividend income to the extent of the earnings and profits of the distributing corporation. Any of our TRSs may from time to time need to make such distributions in order to keep the value of our TRSs below 20% of our total assets. However, TRS dividends will generally not constitute qualifying income for purposes of one of the tests we must satisfy to qualify as a REIT, namely, that at least 75% of our gross income must in each taxable year generally be from real estate assets. While we will continue to monitor our compliance with both this income test and the limitation on the percentage of our assets represented by securities of our TRSs, and intend to conduct our affairs so as to comply with both, the two may at times be in conflict with one another. As an example, it is possible that we may wish to distribute a dividend from a TRS in order to reduce the value of our TRSs below the required threshold of our assets, but be unable to do so without violating the requirement that 75% of our gross income in the taxable year be derived from real estate assets. Although there are other measures we can take in such circumstances in order to remain in compliance, there can be no assurance that we will be able to comply with both of these tests in all market conditions.

Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments, which could reduce returns on our assets and adversely affect returns to our stockholders.

To qualify as a REIT, we must generally ensure that at least 75% of our gross income for each taxable year, excluding certain amounts, is derived from certain real property-related sources, and at least 95% of our gross income for each taxable year, excluding certain amounts, is derived from certain real property-related sources and passive income such as dividends and interest. In addition, we generally must ensure that at the end of each calendar quarter at least 75% of the value of our total assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and RMBS. The remainder of our investment in securities (other than government securities and qualifying real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualifying real estate assets) can consist of the securities of any

one issuer, no more than 20% of the value of our total assets can be represented by stock and securities of one or more TRSs and no more than 25% of the value of our assets may consist of "nonqualified publicly offered REIT debt instruments." If we fail to comply with these requirements at the end of any quarter, we must correct the failure within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments from our portfolio. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. In addition, if we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT. The REIT requirements described above may also restrict our ability to sell REIT-qualifying assets, including asset sales made in connection with a disposition of certain segments of our business or in connection with a liquidation of us, without adversely impacting our qualifications as a REIT. Furthermore, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT.

In addition, certain assets that we hold or intend to hold, including unsecured loans, loans secured by both real property and personal property where the fair market value of the personal property exceeds 15% of the total fair market value of all of the property securing the loan, and interests in ABS secured by assets other than real property or mortgages on real property or on interests in real property, are not qualified and will not be qualified real estate assets for purposes of the REIT asset tests. Accordingly, our ability to invest in such assets will be limited, and our investment in such assets could cause us to fail to qualify as a REIT if our holdings in such assets do not satisfy such limitations.

Distributions from us or gain on the sale of our common stock may be treated as unrelated business taxable income, or "UBTI", to U.S. tax-exempt holders of common stock.

If (i) all or a portion of our assets are subject to the rules relating to taxable mortgage pools, (ii) a tax-exempt U.S. person has incurred debt to purchase or hold our common stock, (iii) we purchase real estate mortgage investment conduit ("REMIC") residual interests that generate "excess inclusion income," or (iv) we are a "pension held REIT," then a portion of the distributions with respect to our common stock and, in the case of a U.S. person described in clause (ii), gains realized on the sale of such common stock by such U.S. person, may be subject to U.S. federal income tax as UBTI under the Code. We have engaged in certain securitization transactions that are treated as taxable mortgage pools for U.S. federal income tax purposes. Although we believe that such transactions are structured in a manner so that they should not cause any portion of the distributions in our shares to be treated as excess inclusion income, no assurance can be provided that the IRS would not assert a contrary position.

The REIT distribution requirements could adversely affect our ability to execute our business plan and may require us to incur debt, sell assets or take other actions to make such distributions.

To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. Our current policy is to pay distributions which will allow us to satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax on our undistributed income.

Our taxable income may substantially exceed our net income as determined under U.S. GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, it is likely that we will acquire assets, including RMBS requiring us to accrue original issue discount ("OID") or recognize market discount income, that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. Under the Tax Cuts and Jobs Act (the "Tax Act"), we generally will be required to recognize certain amounts in income no later than the time such amounts are reflected on our financial statements. The application of this rule may require the accrual of income earlier than would be the case under the otherwise applicable tax rules. Although the precise application of this rule is not entirely clear, final regulations generally exclude, among other items, OID and market discount income from the applicability of this rule. Also, in certain circumstances our ability to deduct interest expenses for U.S. federal income tax purposes may be limited. We may also acquire distressed debt investments that are

subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification. Finally, we may be required under the terms of the indebtedness that we incur to use cash received from interest payments to make principal payments on that indebtedness, with the effect that we will recognize income but will not have a corresponding amount of cash available for distribution to our stockholders.

As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and find it difficult or impossible to meet the REIT distribution requirements in certain circumstances. In such circumstances, we may be required to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be used for future investment or used to repay debt, or (iv) make a taxable distribution of shares of common stock as part of a distribution in which stockholders may elect to receive shares of common stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

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

We may acquire mortgage loans, RMBS or other debt instruments in the secondary market for less than their face amount. The discount at which such securities are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as "market discount" for U.S. federal income tax purposes. Market discount generally accrues on the basis of the constant yield to maturity of the debt instrument based generally on the assumption that all future payments on the debt instrument will be made. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. In particular, payments on mortgage loans are ordinarily made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on a debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deduction in a subsequent taxable year. In addition, we may acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under applicable Treasury Regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt, even if the value of the debt or the payment expectations have not changed.

Similarly, some of the RMBS that we purchase will likely have been issued with OID. We will generally be required to report such OID based on a constant yield method and income will accrue based on the assumption that all future projected payments due on such MBSs will be made. If such MBSs turn out not to be fully collectible, an offsetting loss deduction will become available only in the later year in which uncollectability is provable. Finally, in the event that any mortgage loans, RMBS or other debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event a borrower with respect to a particular debt instrument acquired by us encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to subordinate RMBS at their stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the loss would likely be treated as a capital loss, and the utility of that loss would therefore depend on our having capital gain in that later year or thereafter.

We may hold excess MSRs, which means the portion of an MSR that exceeds the arm's-length fee for services performed by the mortgage servicer. Based on IRS guidance concerning the classification of MSRs, we intend to treat any excess MSRs we acquire as ownership interests in the interest payments made on the underlying mortgage loans, akin to an "interest only" strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each excess MSR is treated as a bond that was issued with OID on the date we acquired such excess MSR. In general, we will be required to accrue OID based on the constant yield to maturity of each excess MSR, and to treat such OID as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the mortgage

loans underlying the excess MSR. If the mortgage loans underlying an excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of OID will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an excess MSR that exceeds the amount of cash collected in respect of that excess MSR. Furthermore, it is possible that, over the life of the investment in an excess MSR, the total amount we pay for, and accrue with respect to, the excess MSR may exceed the total amount we collect on such excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize phantom income over the life of an excess MSR.

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

The interest apportionment rules under Treasury Regulation Section 1.856-5(c) provide that, if a mortgage is secured by both real property and other property, a REIT is required to apportion its annual interest income to the real property security based on a fraction, the numerator of which is the value of the real property securing the loan, determined when the REIT commits to acquire the loan, and the denominator of which is the highest "principal amount" of the loan during the year. If a mortgage is secured by both real property and personal property and the value of the personal property does not exceed 15% of the aggregate value of the property securing the mortgage, the mortgage is treated as secured solely by real property for this purpose. IRS Revenue Procedure 2014-51 interprets the "principal amount" of the loan to be the face amount of the loan, despite the Code's requirement that taxpayers treat any market discount, which is the difference between the purchase price of the loan and its face amount, for all purposes (other than certain withholding and information reporting purposes) as interest rather than principal.

To the extent the face amount of any loan that we hold that is secured by both real property and other property exceeds the value of the real property securing such loan, the interest apportionment rules described above may apply to certain of our loan assets unless the loan is secured solely by real property and personal property and the value of the personal property does not exceed 15% of the value of the property securing the loan. Thus, depending upon the value of the real property securing our mortgage loans and their face amount, and the other sources of our gross income generally, we may fail to meet the 75% REIT gross income test. In addition, although we will endeavor to accurately determine the values of the real property securing our loans at the time we acquire or commit to acquire such loans, such values may not be susceptible to a precise determination and will be determined based on the information available to us at such time. If the IRS were to successfully challenge our valuations of such assets and such revaluations resulted in a higher portion of our interest income being apportioned to property other than real property, we could fail to meet the 75% REIT gross income test. If we do not meet this test, we could potentially lose our REIT qualification or be required to pay a penalty tax to the IRS. Furthermore, prior to 2016, the apportionment rules described above applied to any debt instrument that was secured by real and personal property if the principal amount of the loan exceeded the value of the real property securing the loan. As a result, prior to 2016, these apportionment rules applied to mortgage loans held by us even if the personal property securing the loan did not exceed 15% of the total property securing the loan. We and our predecessor have held significant mortgage loans that are secured by both real property and personal property. If the IRS were to successfully challenge the application of these rules to us, we could fail to meet the 75% REIT gross income test and potentially lose our REIT qualification or be required to pay a penalty tax to the IRS.

In addition, the Code provides that a regular or a residual interest in a REMIC is generally treated as a real estate asset for the purposes of the REIT asset tests, and any amount includible in our gross income with respect to such an interest is generally treated as interest on an obligation secured by a mortgage on real property for the purposes of the REIT gross income tests. If, however, less than 95% of the assets of a REMIC in which we hold an interest consists of real estate assets (determined as if we held such assets), we will be treated as holding our proportionate share of the assets of the REMIC for the purpose of the REIT asset tests and receiving directly our proportionate share of the income of the REMIC for the purpose of determining the amount of income from the REMIC that is treated as interest on an obligation secured by a mortgage on real property. In connection with the expanded HARP program, the IRS issued guidance providing that, among other things, if a REIT holds a regular interest in an "eligible REMIC," or a residual interest in an "eligible REMIC" that informs the REIT that at least 80% of the REMIC's assets constitute real estate assets, then (i) the REIT may treat 80% of the value of the interest in the REMIC as a real estate asset for the purpose of the REIT asset tests and (ii) the REIT may treat 80% of the gross income received with respect to the interest in the REMIC as interest on an obligation secured by a mortgage on real property for the purpose of the 75% REIT gross income test. For this purpose, a REMIC is an "eligible REMIC" if (i) the REMIC has received a guarantee from Fannie Mae or Freddie Mac that will allow the REMIC to make any principal and interest payments on its regular and residual interests and (ii) all of the REMIC's mortgages and pass-through certificates are secured by interests in single-family dwellings. If we were to acquire an interest in an eligible REMIC less than 95% of the assets of which constitute real estate assets, the IRS guidance described above may generally

allow us to treat 80% of our interest in such a REMIC as a qualifying real estate asset for the purpose of the REIT asset tests and 80% of the gross income derived from the interest as qualifying income for the purpose of the 75% REIT gross income test. Although the portion of the income from such a REMIC interest that does not qualify for the 75% REIT gross income test would likely be qualifying income for the purpose of the 95% REIT gross income test, the remaining 20% of the REMIC interest generally would not qualify as a real estate asset, which could adversely affect our ability to satisfy the REIT asset tests. Accordingly, owning such a REMIC interest could adversely affect our ability to qualify as a REIT.

Our ownership of and relationship with any TRS which we may form or acquire will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and our transactions with our TRSs may result in the application of a 100% excise tax if such transactions are not conducted on arm's-length terms.

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

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

The ownership limits that apply to REITs, as prescribed by the Code and by our charter, may inhibit market activity in shares of our common stock and restrict our business combination opportunities.

In order for us to qualify as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after the first year for which we elect to qualify as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a taxable year or during a proportionate part of a taxable year of less than twelve months (other than the first taxable year for which we elect to be taxed as a REIT). Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary or appropriate to preserve our qualification as a REIT. Our charter also provides that, unless exempted by our board of directors, no person may own more than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of all classes and series of our capital stock. Our board of directors may, in its sole discretion, subject to such conditions as it may determine and the receipt of certain representations and undertakings, prospectively or retroactively, waive the ownership limits or establish a different limit on ownership, or excepted holder limit, for a particular stockholder if the stockholder's ownership in excess of the ownership limits would not result in us being "closely held" under Section 856(h) of the Code or otherwise failing to qualify as a REIT. These ownership limits could delay or prevent a transaction or a change in control of us that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Certain financing activities may subject us to U.S. federal income tax and increase the tax liability of our stockholders.

We may enter into transactions that could result in us, the operating partnership or a portion of the operating partnership's assets being treated as a "taxable mortgage pool" for U.S. federal income tax purposes. Specifically, we may securitize residential or commercial real estate loans that we originate or acquire and such securitizations, to the extent structured in a manner other than a REMIC, would likely result in us owning interests in a "taxable mortgage pool". We would be precluded from holding equity interests in such a taxable mortgage pool securitization through the operating partnership. Accordingly, we would likely enter into such transactions through a qualified REIT subsidiary of one or more subsidiary REITs formed by the operating partnership, and will be precluded from selling to outside investors equity interests in such

securitizations or from selling any debt securities issued in connection with such securitizations that might be considered equity for U.S. federal income tax purposes. We will be taxed at the highest U.S. federal corporate income tax rate on any "excess inclusion income" arising from a taxable mortgage pool that is allocable to the percentage of our shares held in record name by "disqualified organizations," which are generally certain cooperatives, governmental entities and tax-exempt organizations that are exempt from tax on unrelated business taxable income. To the extent that common stock owned by "disqualified organizations" is held in record name by a broker/dealer or other nominee, the broker/dealer or other nominee would be liable for the U.S. federal corporate income tax on the portion of our excess inclusion income allocable to the common stock held by the broker/dealer or other nominee on behalf of the disqualified organizations. Disqualified organizations may own our stock. Because this tax would be imposed on us, all of our investors, including investors that are not disqualified organizations, will bear a portion of the tax cost associated with the classification of us or a portion of our assets as a taxable mortgage pool. A regulated investment company, or "RIC", or other pass-through entity owning our common stock in record name will be subject to tax at the highest corporate tax rate on any excess inclusion income allocated to their owners that are disqualified organizations. We have engaged in certain securitization transactions that are treated as taxable mortgage pools for U.S. federal income tax purposes. Although we believe that such transactions are structured in a manner so that they should not cause any portion of the distributions in our shares to be treated as excess inclusion income, no assurance can be provided that the IRS would not assert a contrary position.

In addition, if we realize excess inclusion income and allocate it to our stockholders, this income cannot be offset by net operating losses of our stockholders. If the stockholder is a tax-exempt entity and not a disqualified organization, then this income is fully taxable as unrelated business taxable income under Section 512 of the Code. If the stockholder is a non-U.S. person, it would be subject to U.S. federal income tax withholding on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty. If the stockholder is a REIT, a Registered Investment Company, common trust fund or other pass-through entity, our allocable share of its excess inclusion income could be considered excess inclusion income of such entity. Accordingly, such investors should be aware that a portion of our income may be considered excess inclusion income.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, which would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We might be subject to this tax if we were to dispose of or securitize loans, directly or through a subsidiary REIT, in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes. We might also be subject to this tax if we were to sell assets in connection with a disposition of certain segments of our business or in connection with a liquidation of us. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to conduct our operations so that any asset that we or a subsidiary REIT owns that could be treated as held for sale to customers in the ordinary course of our business qualifies for certain safe harbor provisions that prevent the application of this prohibited transaction tax. However, no assurance can be provided that such safe harbor provisions will apply. Moreover, as a result of the prohibited transaction tax we may choose not to engage in certain sales of loans at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell, other than property sold through a TRS or property that satisfies the safe harbor described above, will not be treated as property held for sale to customers. As a result, no assurance can be provided that we will not be subject to prohibited transaction tax.

Characterization of our repurchase agreements entered into to finance our investments as sales for tax purposes rather than as secured lending transactions would adversely affect our ability to qualify as a REIT.

We enter into repurchase agreements with counterparties to achieve our desired amount of leverage for the assets in which we invest. Under our repurchase agreements, we generally sell assets to our counterparty to the agreement and receive cash from the counterparty. The counterparty is obligated to resell the assets back to us at the end of the term of the transaction. We believe that for U.S. federal income tax purposes we will be treated as the owner of the assets that are the subject of repurchase agreements and that the repurchase agreements will be treated as secured lending transactions notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of

the agreement. It is possible, however, that the IRS could successfully assert that we did not own these assets during the term of the repurchase agreements, in which case we could fail to qualify as a REIT.

The failure of excess MSRs held by us to qualify as real estate assets, or the failure of the income from excess MSRs to qualify as interest from mortgages, could adversely affect our ability to qualify as a REIT.

We may hold excess MSRs. In certain private letter rulings, the IRS ruled that excess MSRs meeting certain requirements would be treated as an interest in mortgages on real property and thus a real estate asset for purposes of the 75% REIT asset test, and interest received by a REIT from such excess MSRs will be considered interest on obligations secured by mortgages on real property for purposes of the 75% REIT gross income test. A private letter ruling may be relied upon only by the taxpayer to whom it is issued, and the IRS may revoke a private letter ruling. Consistent with the analysis adopted by the IRS in such private letter rulings and based on advice of counsel, we intend to treat any excess MSRs that we acquire that meet the requirements provided in the private letter rulings as qualifying assets for purposes of the 75% REIT gross asset test, and we intend to treat income from such excess MSRs as qualifying income for purposes of the 75% and 95% gross income tests. Notwithstanding the IRS's determination in the private letter rulings described above, it is possible that the IRS could successfully assert that any excess MSRs that we acquire do not qualify for purposes of the 75% REIT asset test and income from such MSRs does not qualify for purposes of the 75% and/or 95% gross income tests, which could cause us to be subject to a penalty tax and could adversely impact our ability to qualify as a REIT.

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

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

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

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risks will generally be excluded from gross income for purposes of the 75% and 95% gross income tests if (i) the instrument (A) hedges interest rate risk or foreign currency exposure on liabilities used to carry or acquire real estate assets or (B) hedges risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income tests, or (C) hedges an instrument described in clause (A) or (B) for a period following the extinguishment of the liability or the disposition of the asset that was previously hedged by the hedged instrument, and (ii) such instrument is properly identified under applicable Treasury Regulations. Any income from other hedges would generally constitute non-qualifying income for purposes of both the 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS, which could increase the cost of our hedging activities or result in greater risks associated with interest rate or other changes than we would otherwise incur.

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

Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of foreclosures, and state or local income, franchise, property and transfer taxes, including mortgage-related taxes. In addition, we intend to hold a significant amount of our assets from time to time in our TRSs each of which pay U.S. federal, state and local income tax on its taxable income, and its after tax net income is available for distribution to us but is not required to be distributed to us by such TRS. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers

in the ordinary course of business, we may hold some of our assets through taxable subsidiary corporations, including domestic TRSs. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to our stockholders. For example, as a result of ReadyCap Holdings' SBA license, ReadyCap Holdings' ability to distribute cash and other assets is subject to significant limitations, and as a result, ReadyCap Holdings is required to hold certain assets that would be qualifying real estate assets for purposes of the REIT asset tests, would generate qualifying income for purposes of the REIT 75% income tests, and would not be subject to corporate taxation if held by our operating partnership. Also, we intend that loans that we originate or buy with an intention of selling in a manner that might expose us to the 100% tax on "prohibited transactions" will be originated or bought by a TRS. Furthermore, loans that are to be modified may be held by a TRS on the date of their modification and for a period of time thereafter. Finally, some or all of the real estate properties that we may from time to time acquire by foreclosure or other procedure will likely be held in one or more TRSs. Since our TRSs do not file consolidated returns with one another, any net losses generated by one such entity will not offset net income generated by any other such entity. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Furthermore, if we acquire appreciated assets from a subchapter C corporation in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the C corporation, and if we subsequently dispose of any such assets during the 5-year period following the acquisition of the assets from the C corporation, we will be subject to tax at the highest corporate tax rates on any gain from such assets to the extent of the excess of the fair market value of the assets on the date that they were contributed to us over the basis of such assets on such date, which we refer to as built-in gains. A portion of the assets contributed to Pre-Merger Sutherland in connection with the REIT formation transactions and contributed to ZAIS Financial in connection with its formation may be subject to the built-in gains tax. Although we expect that the built-in gains tax liability arising from any such assets should be *de minimis*, there is no assurance that this will be the case.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given, statements by the issuers of assets that we acquire, or information provided by our shareholders or other third parties, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, and also to what extent those securities constitute REIT real estate assets for purposes of the REIT asset tests and produce income which qualifies under the 75% REIT gross income test. In addition, when purchasing the equity tranche of a securitization, we may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U.S. corporate income tax and the qualification of interests in such securitization as debt for U.S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

In addition, for purposes of the REIT gross income tests, rental income qualifies as rents from real property only to the extent that we do not directly or constructively own, (i) in the case of any tenant which is a corporation, stock possessing 10% or more of the total combined voting power of all classes of stock entitled to vote, or 10% or more of the total value of shares of all classes of stock of such tenant, or (ii) in the case of any tenant which is not a corporation, an interest of 10% or more in the assets or net profits of such tenant. We monitor the rental income generated by properties owned by us in order to determine if the rent is treated as paid by an entity that is treated as related to us for purposes of these rules. However, the attribution rules that apply for purposes of the above rules are complex. In order to determine whether we are deemed to hold an interest in the tenant under these attribution rules, we are required to rely on information that we obtain from our shareholders and other third parties regarding potential relationships that could cause us to be treated as owning an interest in such tenants. No assurance can be provided that we will have access to all information necessary to make this determination, and as a result no assurance can be provided that the rental income we receive will not be treated as received from related parties under these rules, which could adversely impact our ability to qualify as a REIT.

We may be subject to adverse legislative or regulatory tax changes that could reduce the value of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended, possibly with retroactive effect. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective, and any such law, regulation

or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

The tax basis that we use to compute taxable income with respect to certain interests in loans that were held by our operating partnership at the time of the REIT formation transaction could be subject to challenge.

Prior to the REIT formation transactions, our operating partnership had accounted for its interest in certain SBC securitizations as an interest in a single debt instrument for U.S. federal income tax purposes. In connection with the REIT formation transactions, the predecessor to our operating partnership was treated as terminated for U.S. federal income tax purposes, and our operating partnership was treated as a new partnership that acquired the assets of such predecessor for U.S. federal income tax purposes. Beginning with such transactions, our operating partnership has properly accounted for our interests in these securitizations as interests in the underlying loans for U.S. federal income tax purposes. Since we did not have complete information regarding the tax basis of each of the loans held by our operating partnership at the time of the REIT formation transactions, our computation of taxable income with respect to these interests could be subject to adjustment by the IRS. If any such adjustment would be significant in amount, the resulting redetermination of our gross income for U.S. federal income tax purposes could cause us or Pre-Merger Sutherland to fail to satisfy the REIT gross income tests, which could cause us to fail to qualify as a REIT. In addition, if any such adjustment resulted in an increase to our or Pre-Merger Sutherland's REIT taxable income, we could be required to pay a deficiency dividend in order to maintain our REIT qualification.

Potential changes to the U.S. tax laws could adversely impact us.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our common stock.

The enacted Tax Act, which was signed into law on December 22, 2017, significantly changed U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders, and may lessen the relative competitive advantage of operating as a REIT rather than as a C corporation.

Risks Related to Our Organization and Structure

Conflicts of interest could arise as a result of our REIT structure.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our Company under Maryland law in connection with their management of our Company. At the same time, we have fiduciary duties, as a general partner, to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties as a general partner to our operating partnership and our partners may come into conflict with the duties of our directors and officers.

Certain provisions of Maryland law could inhibit changes in control and prevent our stockholders from realizing a premium over the then-prevailing market price of our common stock.

Certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of our then outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, impose fair price and/or supermajority stockholder voting requirements on these combinations;

- "control share" provisions of the MGCL that provide that a holder of "control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") has no voting rights with respect to such shares except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and personnel who are also directors; and
- "unsolicited takeover" provisions of the MGCL that permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have.

As permitted by the MGCL, our board of directors has by resolution exempted from the "business combination" provision of the MGC business combinations (1) between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person) and (2) between us and Apollo and its affiliates and associates and persons acting in concert with any of the foregoing. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions will not be amended or eliminated at any time in the future.

Our ability to issue additional shares of common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without common stockholder approval, amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have the authority to issue. As a result, our board of directors may establish a class or series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Our rights and your rights to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interests.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and you for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate our Company, and our bylaws obligate us, to indemnify any present or former director or officer or any individual who, while a director or officer of our Company and at our request, serves or has served another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, member, manager, partner or trustee who is, or is threatened to be, made a party to, or witness in, a proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of such service and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of our Company in any of the capacities described above and any employee or agent of our Company or a predecessor of our Company.

Our amended and restated bylaws designates the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for some litigation, which could limit the ability of stockholders to obtain a favorable judicial forum for disputes with our Company.

Unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division is the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of our Company, (ii) any action asserting a claim of breach of any duty owed by any director or officer or other employee of our Company to our Company or to our stockholders, (iii) any action asserting a claim against our Company or any director or officer or other employee of our Company arising pursuant to any provision of the MGCL or our charter or bylaws, or (iv) any action asserting a claim against our Company or any director or officer or other employee of our Company that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions described above. This forum selection provision may limit the ability of stockholders of our Company to obtain a judicial forum that they find favorable for disputes with our Company or our directors, officers, employees, if any, or other stockholders.

General Risk Factors

Future offerings of debt or equity securities, which may rank senior to our common stock, may adversely affect the market price of the common stock.

If we decide to issue additional debt securities in the future, which would rank senior to our common stock, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any equity securities or convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in the Company.

We cannot assure you of our ability to pay distributions in the future.

To maintain our qualification as a REIT and generally not be subject to U.S. federal income tax, we intend to make regular quarterly distributions to holders of our common stock out of legally available funds. Our current policy is to distribute our net taxable income to our stockholders in a manner intended to satisfy the 90% distribution requirement and to avoid corporate income tax. We expect to continue our current distribution practices in the future, but our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this annual report on Form 10-K. All distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, debt covenants, maintenance of our REIT qualification, restrictions on making distributions under Maryland law and other factors as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future, and our board of directors may change our distribution policy in the future. We believe that a change in any one of the following factors, among others, could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- the profitability of the assets we hold or acquire;
- our ability to make profitable acquisitions;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

We cannot assure you that we will achieve results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future. In addition, some of our distributions may include a return of capital.

Interest rate fluctuations may adversely affect the level of our net income and the value of our assets and common stock.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Interest rate fluctuations present a variety of risks, including the risk of a narrowing of the difference between asset yields and borrowing rates, flattening or inversion of the yield curve and fluctuating prepayment rates, and may adversely affect our income and the value of our assets and common stock.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

As has been widely publicized, the SEC, the FASB and other regulatory bodies that establish the accounting rules applicable to us have proposed or enacted a wide array of changes to accounting rules over the last several years. Moreover, in the future these regulators may propose additional changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we believe that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting as of the required dates. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially and adversely affect us by, for example, leading to a decline in our stock price and impairing our ability to raise capital.

Our inability to access funding could have a material adverse effect on our results of operations, financial condition and business. We will rely on short-term financing and thus are especially exposed to changes in the availability of financing.

We will use short-term borrowings, such as our existing credit facilities and repurchase agreements, to fund the acquisition of our assets, pending our completion of longer-term matched funded financings. Our use of short-term financing exposes us to the risk that our lenders may respond to market conditions by making it more difficult for us to renew or replace on a continuous basis our maturing short-term borrowings. If we are not able to renew our then existing short-term facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under these types of financing, we may have to curtail our asset acquisition and origination activities and/or dispose of assets.

Our ability to fund our target asset originations and acquisitions may be impacted by our ability to secure further such borrowings as well as securitizations, term financings and derivative contracts on acceptable terms. Because repurchase agreements and warehouse facilities are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to renew or replace on a continuous basis our maturing short-term borrowings. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under our financing facilities, we may have to curtail our origination and asset acquisition activities and/or dispose of assets.

It is possible that the lenders that will provide us with financing could experience changes in their ability to advance funds to us, independent of our performance or the performance of our portfolio of assets. Further, if many of our potential lenders are unwilling or unable to provide us with financing, we could be forced to sell our assets at an inopportune time when prices are depressed. In addition, if the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability. Moreover, the amount of financing we receive under our short-term borrowing arrangements will be directly related to the lenders' valuation of our target assets that cover the outstanding borrowings.

An increase in our borrowing costs relative to the interest we receive on our leveraged assets may adversely affect our profitability and our cash available for distribution to our stockholders.

As our financings mature, we will be required either to enter into new borrowings or to sell certain of our assets. An increase in short-term interest rates at the time that we seek to enter into new borrowings would reduce the spread between the returns on our assets and the cost of our borrowings. This would adversely affect the returns on our assets, which might reduce earnings and, in turn, cash available for distribution to our stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 1251 Avenue of the Americas, 50th Floor, New York, New York 10020, and our telephone number is (212) 257-4600. We also use the offices of ReadyCap Lending located at 200 Connell Drive, Suite 4000, Berkeley Heights, New Jersey, 07922; ReadyCap Commercial, LLC, located at 1320 Greenway Drive, Suite 560, Irving, Texas, 75038; and Knight Capital LLC, located at 110 Southeast 6th Street, Suite 700, Fort Lauderdale, FL 33301. We also use the offices of GMFS located at 7389 Florida Blvd, Suite 200A, Baton Rouge, Louisiana, 70806 for our residential mortgage banking operations. GMFS also has various branch locations located primarily throughout the southeastern United States.

Item 3. Legal Proceedings

From time to time, the Company may be involved in various claims and legal actions in the ordinary course of business.

On January 7, 2021, Shiva Stein, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Central District of California, styled *Shiva Stein v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-00122 (the "Stein Action"). The Stein Action was filed against Anworth and the Anworth Board. The complaint in the Stein Action asserts that the Form S-4 Registration Statement filed on January 4, 2021 in connection with the Merger (the "Initial S-4 Filing") contained materially incomplete and misleading information concerning financial projections and financial analyses in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Stein Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, compensatory damages against the defendants, and an award of attorneys' and experts' fees.

On January 12, 2021, Giuseppe Alescio, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Southern District of New York, styled *Giuseppe Alescio v. Anworth Mortgage Asset Corporation, et al.*, No. 1:21-cv-00258 (the "Alescio Action"). The Alescio Action was filed against Anworth, the Anworth Board, Ready Capital, and Merger Sub. The complaint in the Alescio Action asserts that the Initial S-4 Filing omitted material information concerning financial forecasts and financial analyses in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Alescio Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, the filing of an amendment to the registration statement that does not contain any untrue statements of material fact and that states all material facts required in it or necessary to make the statements contained therein not misleading, and an award of attorneys' and experts' fees.

On January 19, 2021, Joseph Sheridan, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Southern District of New York, styled *Joseph Sheridan v. Anworth Mortgage Asset Corporation, et al.*, No. 1:21-cv-00465 (the "Sheridan Action"). The Sheridan Action was filed against Anworth, the Anworth Board, Ready Capital, and Merger Sub. The complaint in the Sheridan Action asserts that the Initial S-4 Filing contained materially incomplete and misleading information concerning the sales process, financial projections, and financial analyses in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Sheridan Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, and an award of attorneys' and experts' fees.

On January 20, 2021, Ken Bishop, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Eastern District of New York, styled *Ken Bishop v. Anworth Mortgage Asset Corporation, et al.*, No. 1:21-cv-00331 (the "Bishop Action"). The Bishop Action was filed against Anworth and the Anworth Board. The complaint in the Bishop Action asserts that the Initial S-4 Filing contained materially false and misleading statements and omissions concerning financial projections, financial analyses, the sales process and potential conflicts of interest involving Anworth's financial advisor, Credit Suisse Securities (USA) LLC ("Credit Suisse"), in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Bishop Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, and an award of attorneys' and experts' fees.

On January 21, 2021, Samuel Carlisle, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Central District of California, styled *Samuel Carlisle v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-00566 (the "Carlisle Action"). The Carlisle Action was filed against Anworth and the Anworth Board. The complaint in the Carlisle Action asserts that the Initial S-4 Filing omitted or misrepresented material information concerning financial projections, potential conflicts of interest involving Credit Suisse, and the background of the Merger, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Carlisle Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, and an award of attorneys' and experts' fees.

On January 26, 2021, Reginald Padilla, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Central District of California, styled *Reginald Padilla v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-00702 (the "Padilla Action"). The Padilla Action was filed against Anworth and the Anworth Board. The complaint in the Padilla Action asserts that the Initial S-4 Filing was materially deficient and misleading in regards to financial projections, potential conflicts of interest involving Credit Suisse, and the background of the Merger, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Padilla Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, the filing of an amendment to the registration statement that does not contain any untrue statements of material fact and that states all material facts required in it or necessary to make the statements contained therein not misleading, and an award of attorneys' and experts' fees.

On February 1, 2021, Diane Antasek, as Trustee for The Diane R. Antasek Trust Agreement, April 8, 1997, and Ronald Antasek, as Trustee for the Ronald J. Antasek Sr. Trust Agreement, April 8, 1997, purported shareholders of Anworth, filed a lawsuit in the United States District Court for the Central District of California, styled *Antasek et al. v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-00917 (the "Antasek Action"). The Antasek Action was filed against Anworth and the Anworth Board. The complaint in the Antasek Action asserts that the Initial S-4 Filing was materially deficient in regards to potential conflicts of interest involving Credit Suisse, financial projections and financial valuation analyses in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and that the Anworth Board violated their fiduciary duty as a result of an unfair process for an unfair price. The Antasek Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, an order directing the Anworth Board to exercise their fiduciary duties to commence a sale process that is reasonably designed to secure the best possible consideration for Anworth and obtain a transaction which is in the best interests of Anworth and its stockholders, an award of damages sustained, and an award of attorneys' and experts' fees.

On February 9, 2021, Sean McGillivray, a purported shareholder of Ready, filed a lawsuit in the United States District Court for the Southern District of New York, styled *McGillivray v. Ready Capital Corporation, et al.*, No. 1:21-cv-01152 (the "McGillivray Action"). The McGillivray Action was filed against Ready and the Ready Board. The complaint in the McGillivray Action asserts that the Form S-4/A Registration Statement filed on February 5, 2021 contained materially incomplete and misleading information concerning financial projections and financial analyses in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The McGillivray Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, compensatory damages against the defendants, and an award of attorneys' and experts' fees

On February 25, 2021, Adam Franchi, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Central District of California, styled *Franchi v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-01782 (the "Franchi Action"). The Franchi Action was filed against Anworth and the Anworth Board. The complaint in the Franchi Action asserts that the Schedule 14A Definitive Proxy Statement filed on February 9, 2021 contained materially false and misleading statements and omissions concerning financial projections, financial analyses, the sales process and potential conflicts of interest involving Credit Suisse, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Franchi Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, and an award of attorneys' and experts' fees.

On March 1, 2021, Terrance Brodt, a purported shareholder of Anworth, filed a lawsuit in the United States District Court for the Eastern District of Pennsylvania, styled *Brodt v. Anworth Mortgage Asset Corporation, et al.*, No. 2:21-cv-00981 (the "Brodt Action" and collectively with the Stein Action, Alescio Action, Sheridan Action, Bishop Action, Carlisle Action, the Padilla Action, the Antasek Action, the McGillivray Action, and the Franchi Action, the "Actions"). The Brodt Action was filed against Anworth, the Anworth Board, Ready and Merger Sub. The complaint in the Brodt Action asserts that the Form 424B3 filed on February 9, 2021 contained materially false and misleading statements and omissions concerning financial projections, financial analyses, and potential conflicts of interest involving Credit Suisse, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The Franchi Action seeks, among other things, an injunction enjoining the Merger from closing, rescission of the Merger or rescissory damages if the Merger is consummated, and an award of attorneys' and experts' fees.

Anworth and Ready Capital intend to vigorously defend against the Actions.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information
Our common stock is listed for trading on the NYSE under the symbol "RC".

Holders
As of March 12, 2021, we had 531 registered holders of our common stock. The holders of record include Cede & Co., which holds shares as nominee for The Depository Trust Company, which itself holds shares on behalf of the beneficial owners of our common stock. Such information was obtained through our registrar and transfer agent.

Dividends

We have elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013. U.S. federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income, excluding net capital gains and determined without regard to the dividends paid deduction, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. Our current policy is to pay distributions, which will allow us to satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax on our undistributed income. Although we may borrow funds to make distributions, cash for such distributions is expected to be largely generated from our consolidated results of operations. Dividends are declared and paid at the discretion of our board of directors and depend on cash available for distribution, financial condition, our ability to maintain our qualification as a REIT, and such other factors that our board of directors may deem relevant. See Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis of Financial Conditions and Results of Operations," of this annual report on Form 10-K, for information regarding the sources of funds used for dividends and for a discussion of factors, if any, which may adversely affect our ability to pay dividends.

Stockholder Return Performance

On November 1, 2016, we began trading on the NYSE under the ticker symbol "SLD". On September 26, 2018, Sutherland Asset Management Corporation filed Articles of Amendment to its charter (the "Articles of Amendment") with the State Department of Assessments and Taxation of Maryland, to change its name to Ready Capital Corporation (the "Company" or "Ready Capital" and together with its subsidiaries "we", "us" and "our"), a Maryland corporation. In addition, the Company amended and restated its bylaws and the second amended and restated agreement of limited partnership, effective September 26, 2018, each solely the reflect the name change. In connection with the name change, the Company's trading symbol on the New York Stock Exchange changed from "SLD" to "RC" for shares of the Company's common stock.

The following graph is a comparison of the cumulative total stockholder return on our shares of common stock, the Standard & Poor's 500 Index (the "S&P 500 Index") and a Competitor Composite Average, a peer group index from October 31, 2016 to December 31, 2020.

The following table presents the total return performance of our common stock during the two months ended December 31, 2016 and each of the fiscal years ended December 31, 2017 through 2020, reflecting the post-merger prices of our common stock. Prior to the completion of our merger with ZAIS Financial, shares of common stock of ZAIS Financial traded on the NYSE under the ticker symbol "ZFC". Prior to and as a condition to the merger, ZAIS Financial disposed of its seasoned re-performing mortgage loan portfolio, such that upon the completion of the merger, ZAIS Financial's assets largely consisted of its GMFS origination subsidiary, cash, conduit loans and RMBS. As a result, ZAIS Financial's business and financial results prior to the merger and during the period covered by the below table were significantly different from our business following the closing of the merger and the total return performance before and after the merger may not be comparable. The stock performance graph and table below shall not be deemed, under the Securities Act or the Exchange Act, to be (i) "soliciting material" or "filed" or (ii) incorporated by reference by any general statement into any filing made by the Company with the SEC, except to the extent that the Company specifically incorporates such stock performance graph and table by reference.

The graph assumes that $100 was invested on October 31, 2016 in shares of common stock of Ready Capital Corporation (previously Sutherland Asset Management Corporation), the S&P 500 Index, and each of the Companies shares of common stock included in the Competitor Composite Average and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our common stock will continue in line with the same or similar trends depicted in the graph below.

	As of the Period Ending					
Index	**10/31/2016**	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**
RC	100.0	100.4	124.9	125.8	155.3	147.0
S&P 500	100.0	105.3	125.7	117.9	152.0	176.7
Competitor Composite Average*	100.0	100.6	115.0	125.3	169.9	160.7

*The Competitor Composite Average is a measure of the total return performance of mortgage REIT competitors based on actual share prices of the following companies: Blackstone Mortgage Trust Inc. (BXMT), Starwood Property Trust, Inc. (STWD), Ares Commercial Real Estate Corporation (ACRE), Apollo Commercial Real Estate Finance Inc. (ARI), Arbor Realty Trust, Inc. (ABR), and Ladder Capital Corporation (LADR).

(1) Dividend reinvestment is assumed

Securities Authorized For Issuance Under Equity Compensation Plans

The information required by this item is set forth under Item 12 of Part III of this annual report on Form 10-K and is incorporated herein by reference.

Recent Sales of Unregistered Equity Securities; Use of Proceeds from Registered Securities

None.

Recent Purchases of Equity Securities

The table below presents purchases of common stock made by the Company during the fourth quarter of 2020.

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program[1][2]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program[1]
October	61,170	$ 11.30	61,170	$ 15,097,598
November	-	-	-	15,097,598
December	-	-	-	15,097,598
Totals / Averages	61,170	$ 11.30	61,170	$ 15,097,598

(1) On March 6, 2018, the Company's Board of Directors approved a share repurchase program authorizing, but not obligating, the repurchase of up to $20.0 million of its common stock, which was increased by an additional $5.0 million on August 4, 2020, bringing the total authorized and available under the program to $25.0 million. The Company expects to acquire shares through open market or privately negotiated transactions. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements and other factors.

(2) During the three months ended December 31, 2020, certain of our employees surrendered common stock owned by them to satisfy their tax and other compensation related withholdings associated with the vesting of restricted stock units. The price paid per share is based on the price of our common stock as of the date of the withholding.

Item 6. Selected Financial Data

Selected Consolidated Balance Sheet data as of and for the years ended December 31, 2020 and 2019 and Consolidated Statements of Income data for the years ended December 31, 2020, 2019 and 2018 are derived from our audited

consolidated financial statements appearing in this annual report on Form 10-K. Remaining selected financial data is derived from our audited consolidated financial statements not appearing elsewhere in this annual report on Form 10-K. This information should be read in conjunction with Item 1, "Business," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the audited consolidated financial statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" included in this annual report on Form 10-K.

	For the Year Ended December 31,				
(In thousands, except share data)	**2020**	**2019**	**2018**	**2017**	**2016**
Income Statement Data					
Interest income	$ 258,636	$ 229,916	$ 169,499	$ 138,305	$ 137,023
Interest expense	(175,481)	(151,880)	(109,238)	(74,646)	(57,772)
Provision for loan losses	(34,726)	(3,684)	(1,701)	(2,363)	(7,819)
Other non-interest income (expense)	6,024	(9,848)	4,283	(12,843)	(6,217)
Provision (benefit) for income taxes	(8,384)	10,552	(1,386)	(1,839)	(9,651)
Net income (loss) attributable to non-controlling interest	1,199	2,088	61,457	45,814	55,564
Loss from discontinued operations, net of tax	-	-	-	-	(2,158)
Net income	46,069	75,056	61,457	45,814	53,406
Net income attributable to Ready Capital Corporation	44,870	72,968	59,258	43,290	49,169
Basic earnings per share:					
Continuing operations	$ 0.81	$ 1.72	$ 1.84	$ 1.38	$ 1.93
Net income	$ 0.81	$ 1.72	$ 1.84	$ 1.38	$ 1.85
Diluted earnings per share:					
Continuing operations	$ 0.81	$ 1.72	$ 1.84	$ 1.38	$ 1.93
Net income	$ 0.81	$ 1.72	$ 1.84	$ 1.38	$ 1.85
Dividends declared per share of common stock	$ 1.30	$ 1.60	$ 1.57	$ 1.48	$ 1.61
Weighted-average basic shares of common stock outstanding	53,736,523	42,011,750	32,085,975	31,350,102	26,647,981
Balance Sheet Data					
Total assets	$ 5,372,095	$ 4,977,018	$ 3,036,843	$ 2,523,503	$ 2,605,267
Total liabilities	$ 4,537,887	$ 4,132,234	$ 2,472,768	$ 1,968,036	$ 2,053,165
Total Ready Capital Corporation Stockholders' equity	$ 815,396	$ 825,412	$ 544,831	$ 536,073	$ 513,097
Total non-controlling interests	$ 18,812	$ 19,372	$ 19,244	$ 19,394	$ 39,005

On October 31, 2016, we became a publicly traded company through our merger with and into a subsidiary of ZAIS Financial, with ZAIS Financial surviving the merger and changing its name to Sutherland Asset Management Corporation and subsequently changed to Ready Capital Corporation. We were designated as the accounting acquirer because of our larger pre-merger size relative to ZAIS Financial, the relative voting interests of our stockholders after consummation of the merger, and our senior management and board continuing on after the consummation of the merger. Because we were designated as the accounting acquirer, our historical financial statements (and not those of ZAIS Financial) are the historical financial statements following the consummation of the merger and are included in this annual report on Form 10-K. Our results of operations for the year ended December 31, 2016 include for the last two months of the year the operating results related to the assets of ZAIS Financial which were not disposed of prior to the closing of the merger.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

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

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

The following discussion should be read in conjunction with our consolidated financial statements and accompanying Notes included in Item 8, "Financial Statements and Supplementary Data," of this annual report on Form 10-K. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed in Part, 1. Item 1A, "Risk Factors" in this annual report on Form 10-K.

Overview

Our Business

We are a multi-strategy real estate finance company that originates, acquires, finances, and services SBC loans, SBA loans, residential mortgage loans, and to a lesser extent, MBS collateralized primarily by SBC loans, or other real estate-related investments. Our loans generally range in original principal amounts up to $35 million and are used by businesses to purchase real estate used in their operations or by investors seeking to acquire small multi-family, office, retail, mixed use or warehouse properties. Our originations and acquisition platforms consist of the following four operating segments:

- ***Acquisitions***. We acquire performing and non-performing SBC loans as part of our business strategy. We hold performing SBC loans to term, and we seek to maximize the value of the non-performing SBC loans acquired by us through borrower-based resolution strategies. We typically acquire non-performing loans at a discount to their unpaid principal balance ("UPB") when we believe that resolution of the loans will provide attractive risk-adjusted returns. We also acquire purchased future receivables through our Knight Capital platform.

- ***SBC Originations***. We originate SBC loans secured by stabilized or transitional investor properties using multiple loan origination channels through our wholly-owned subsidiary, ReadyCap Commercial, LLC ("ReadyCap Commercial"). These originated loans are generally held-for-investment or placed into securitization structures. Additionally, as part of this segment, we originate and service multi-family loan products under the Federal Home Loan Mortgage Corporation's Small Balance Loan Program ("Freddie Mac" and the "Freddie Mac program"). These originated loans are held for sale, then sold to Freddie Mac.

- ***SBA Originations, Acquisitions and Servicing***. We acquire, originate and service owner-occupied loans guaranteed by the SBA under its Section 7(a) loan program (the "SBA Section 7(a) Program") through our wholly-owned subsidiary, ReadyCap Lending, LLC ("ReadyCap Lending"). We hold an SBA license as one of only 14 non-bank Small Business Lending Companies ("SBLCs") and have been granted preferred lender status by the SBA. These originated loans are either held-for-investment, placed into securitization structures, or sold.

- ***Residential Mortgage Banking***. We operate our residential mortgage loan origination segment through our wholly-owned subsidiary, GMFS, LLC ("GMFS"). GMFS originates residential mortgage loans eligible to be purchased, guaranteed or insured by the Federal National Mortgage Association ("Fannie Mae"), Freddie Mac, Federal Housing Administration ("FHA"), U.S. Department of Agriculture ("USDA") and U.S. Department of Veterans Affairs ("VA") through retail, correspondent and broker channels. These originated loans are then sold to third parties, primarily agency lending programs.

Our objective is to provide attractive risk-adjusted returns to our stockholders, primarily through dividends and secondarily through capital appreciation. In order to achieve this objective, we intend to continue to grow our investment portfolio and we believe that the breadth of our full service real estate finance platform will allow us to adapt to market conditions and deploy capital in our asset classes and segments with the most attractive risk-adjusted returns.

We are organized and conduct our operations to qualify as a REIT under the Code. So long as we qualify as a REIT, we are generally not subject to U.S. federal income tax on our net taxable income to the extent that we annually distribute all of our net taxable income to stockholders. We are organized in a traditional UpREIT format pursuant to which we serve as the general partner of, and conduct substantially all of our business through Sutherland Partners, LP, or our operating partnership, which serves as our operating partnership subsidiary. We also intend to operate our business in a manner that will permit us to be excluded from registration as an investment company under the 1940 Act.

For additional information on our business, refer to Part I, Item 1, "Business" in this Annual Report on Form 10-K.

2020 marked the Great COVID Recession which shocked our core commercial real estate debt market. Despite these challenges, Ready Capital delivered record results in a recession due to our diversified business model. The following items highlight Ready Capital's differentiated business model and our commitment to provide attractive risk-adjusted returns to our stockholders, primarily through dividends and capital appreciation.

- Despite pandemic shutdown for over half the year, we originated and acquired $910 million of SBC loans to be held on balance sheet. As of December 31, 2020, we held $4.2 billion portfolio of SBC loans, which provides stable net interest income and is core to our stable dividend. Our strong credit culture has held 60+ day delinquencies at 2.7%, vs 6% in the large balance CMBS market, with a weighted average coupon of 5.4% and duration of 7 years.

- At year end, we serviced over $11.7 billion of loans across our residential, SBA and Freddie Mac platforms, with a weighted average servicing fee of 34bps.

- We added $4.9 billion of originations in our government sponsored SBA, residential and Freddie Mac gain on sale businesses, an 83% increase from prior year.

- Our SBA 7(a) lending subsidiary has originated $820 million since inception, including $83 million and $65 million in third and fourth quarters of 2020, respectively. We continue to grow market share in 2020, rising from 14th to 9th largest 7(a) lender and 2nd non-bank lender. Throughout the pandemic, bilateral support in DC for the SBA is evident in 2 rounds of the Paycheck Protection Program, principal and interest support on 7(a) loans and the increase in government guarantee from 75% to 90%.

- We also continue to expand our Freddie Mac SBL and broader GSE lending operations actively lending during the pandemic with $545 million in 2020 originations. Demand for this product continues to grow due to low rates relative to banks and stable demand due to the strength of the SBL multifamily market as rent growth and collections have held up through the pandemic. Additionally, we entered into two agency correspondence agreements in 2020, which will allow us to provide a full suite of GSE products. We expect volume through these new programs to experience modest growth as we build out the necessary infrastructure to achieve scale.

- Residential mortgage originations and GMFS experienced record volume and profitability. In 2020, GMFS originated $4.2 billion at margins averaging 285bps. Year-over year volume growth was 100% and average margins were 2.0x 2019 levels. Additionally, we added $1.4 billion of net loans to the servicing asset and lowered weighted average coupon 9% to 368bps.

- Despite headwinds in the sector, we securitized over $609 million of loans, renewed 6 credit facilities and managed average recourse leverage to 2.1x. Finally, we continued to find an accretive way to expand and scale our business through the signing of the Anworth merger.

Factors Impacting Operating Results

We expect that our results of operations will be affected by a number of factors and will primarily depend on, among other things, the level of the interest income from our assets, the market value of our assets and the supply of, and demand for, SBC and SBA loans, residential loans, MBS and other assets we may acquire in the future and the financing and other costs associated with our business. Our net investment income, which includes the amortization of purchase premiums and accretion of purchase discounts, varies primarily as a result of changes in market interest rates, the rate at which our distressed assets are liquidated and the prepayment speed of our performing assets. Interest rates and prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be impacted by conditions in the financial markets, credit losses in excess of initial estimates or unanticipated credit events experienced by borrowers whose loans are held directly by us or are included in our MBS. Our operating results may also be impacted by difficult market conditions as well as inflation, energy costs, geopolitical issues, health epidemics and outbreaks of contagious diseases, such as the recent outbreak of COVID-19, unemployment and the availability and cost of credit. Our operating results will also be impacted by our available borrowing capacity.

Changes in Market Interest Rates. We own and expect to acquire or originate fixed rate mortgages ("FRMs"), and ARMs, with maturities ranging from five to 30 years. Our loans typically have amortization periods of 15 to 30 years or balloon payments due in five to ten years. ARM loans generally have a fixed interest rate for a period of five, seven or ten years and then an adjustable interest rate equal to the sum of an index rate, such as the LIBOR, plus a margin, while FRM loans bear interest that is fixed for the term of the loan. As of December 31, 2020, approximately 57% of the loans in our portfolio were ARMs, and 43% were FRMs, based on UPB. We utilize derivative financial and hedging instruments in an effort to hedge the interest rate risk associated with our ARMs.

With respect to our business operations, increases in interest rates, in general, may over time cause:

- the interest expense associated with our variable-rate borrowings to increase;
- the value of fixed-rate loans, MBS and other real estate-related assets to decline;
- coupons on variable-rate loans and MBS to reset to higher interest rates; and
- prepayments on loans and MBS to slow.

Conversely, decreases in interest rates, in general, may over time cause:

- the interest expense associated with variable-rate borrowings to decrease;
- the value of fixed-rate loans, MBS and other real estate-related assets to increase;
- coupons on variable-rate loans and MBS to reset to lower interest rates; and
- prepayments on loans and MBS to increase.

Additionally, non-performing loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates. A rising rate environment often means an improving economy, which might have a positive impact on commercial property values, resulting in increased gains on the disposition of these assets. While rising rates could make it more costly to refinance these assets, we expect that the impact of this would be mitigated by higher property values. Moreover, small business owners are generally less interest rate sensitive than large commercial property owners, and interest cost is a relatively small component of their operating expenses. An improving economy will likely spur increased property values and sales, thereby increasing the need for loan financing.

Changes in Fair Value of Our Assets. Certain originated loans, mortgage backed securities, and servicing rights are carried at fair value and future assets may also be carried at fair value. Accordingly, changes in the fair value of our assets may impact the results of our operations for the period in which such change in value occurs. The expectation of changes in real estate prices is a major determinant of the value of loans and ABS. This factor is beyond our control.

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

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

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

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

Credit Risk. We are subject to credit risk in connection with our investments in loans and ABS and other target assets we may acquire in the future. Increases in defaults and delinquencies will adversely impact our operating results, while declines in rates of default and delinquencies will improve our operating results from this aspect of our business. Default rates are influenced by a wide variety of factors, including, property performance, property management, supply and demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the United States economy and other factors beyond our control. All loans are subject to the possibility of default. We seek to mitigate this risk by seeking to acquire assets at appropriate prices given anticipated and unanticipated losses and by deploying a value-driven approach to underwriting and diligence, consistent with our historical investment strategy, with a focus on projected cash flows and potential risks to cash flow. We further mitigate our risk of potential losses while managing and servicing our loans by performing various workout and loss mitigation strategies with delinquent borrowers. Nevertheless, unanticipated credit losses could occur which could adversely impact operating results.

Size of Investment Portfolio. The size of our investment portfolio, as measured by the aggregate principal balance of our loans and ABS and the other assets we own, is also a key revenue driver. Generally, as the size of our investment portfolio grows, the amount of interest income and realized gains we receive increases. A larger investment portfolio, however, drives increased expenses, as we may incur additional interest expense to finance the purchase of our assets.

Current market conditions. The outbreak of the COVID-19 pandemic around the globe continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The impact of the outbreak has been rapidly evolving, with many countries taking drastic measures to limit the spread of the virus by instituting quarantines or lockdowns and imposing travel restrictions. While some of these restrictions have been relaxed or phased out, many of these or similar restrictions remain in place, continue to be implemented or additional restrictions are being considered. Such actions are creating significant disruptions to global supply chains and adversely impacting several industries, including but not limited to airlines, hospitality, retail, and the broader real estate industry. The major disruption caused by COVID-19 significantly reduced economic activity in most of the United States resulting in a significant increase in unemployment claims. COVID-19 has had a continued and prolonged adverse impact on economic and market conditions and has caused a global economic slowdown which has had and could further have a material adverse effect on the Company's results and financial condition. The full impact of COVID-19 on the real estate industry, the commercial real estate market, the small business lending market and the credit markets generally, and consequently on the Company's financial condition and results of operations is uncertain and cannot be predicted at the current time as it depends on several factors beyond the control of the Company including, but not limited to, (i) the uncertainty around the severity and duration of the outbreak, (ii) the effectiveness of the United States public health response, (iii) the pandemic's impact on the U.S. and global economies, (iv) the timing, scope and effectiveness of governmental responses to the pandemic, including the PPP and other programs under the CARES Act, (v) the timing and speed of economic recovery, (vi) the availability of a treatment or vaccination for COVID-19, and (vii) the negative impact on our borrowers, real estate values and cost of capital.

Results of Operations

Key Financial Measures and Indicators

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

The following table sets forth certain information on our operating results:

	Three Months Ended December 31,	Year Ended December 31,		
($ in thousands, except share data)	2020	2020	2019	2018
Net Income	$ 27,559	$ 46,069	$ 75,056	$ 61,457
Earnings per common share - basic	$ 0.49	$ 0.81	$ 1.72	$ 1.84
Earnings per common share - diluted	$ 0.49	$ 0.81	$ 1.72	$ 1.84
Distributable Earnings	$ 28,804	$ 101,379	$ 67,261	$ 58,691
Distributable Earnings per common share - basic and diluted	$ 0.51	$ 1.82	$ 1.54	$ 1.76
Dividends declared per common share	$ 0.35	$ 1.30	$ 1.60	$ 1.57
Dividend yield(1)	11.2 %	11.2 %	10.4 %	11.4 %
Book value per common share(3)	$ 15.00	$ 15.00	$ 16.14	$ 16.97
Adjusted net book value per common share(2)	$ 14.98	$ 14.98	$ 16.12	$ 16.91

(1) Based on the closing share price on December 31, 2020, 2019 and 2018, respectively.
(2) Excludes the equity component of our 2017 convertible note issuance.
(3) as of December 31, 2020, 2019 and 2018, respectively.

The following table presents information on our investment portfolio activity (based on fully committed amounts):

	Three Months Ended	Year Ended December 31,		
(in thousands)	December 31, 2020	2020	2019	2018
Loan originations				
SBC loan originations	$ 410,130	$ 1,160,294	$ 1,702,685	$ 1,188,134
SBA loan originations	65,043	214,326	216,263	213,033
Residential agency mortgage loan originations	1,179,656	4,246,367	2,105,635	1,778,816
Total loan originations	**$ 1,654,829**	**$ 5,620,987**	**$ 4,024,583**	**$ 3,179,983**
Total loan acquisitions	**$ 140,161**	**$ 212,644**	**$ 722,465**	**$ 380,582**
Total loan investment activity	**$ 1,794,990**	**$ 5,833,631**	**$ 4,747,048**	**$ 3,560,565**

The following table presents information on our acquisition and origination pipeline opportunities (based on fully committed amounts):

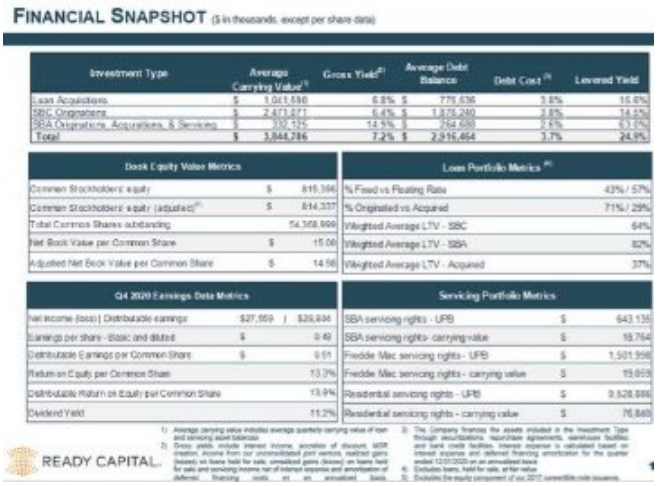
($ in millions)		**Current Pipeline[1]**
SBC loan originations	$	776.9
SBC loan acquisitions		187.2
SBA loan originations		122.6
Residential agency loan originations		1,030.4
Total loan pipeline	**$**	**2,117.1**

(1) Includes 2021 fundings.

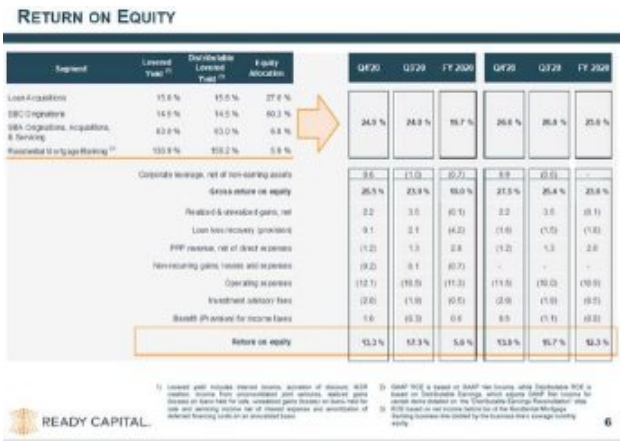
We operate in a competitive market for investment opportunities and competition may limit our ability to originate or acquire the potential investments in the pipeline. The consummation of any of the potential loans in the pipeline depends upon, among other things, one or more of the following: available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

Return Information

The following tables present certain information related to our SBC and SBA loan portfolios as of December 31, 2020 and per share information for the three months ended December 31, 2020, which includes distributable earnings per share or return information. Distributable earnings is not a measure calculated in accordance with GAAP and is defined further within Item 7 – Non-GAAP Financial Measures in this Annual report on Form 10-K.

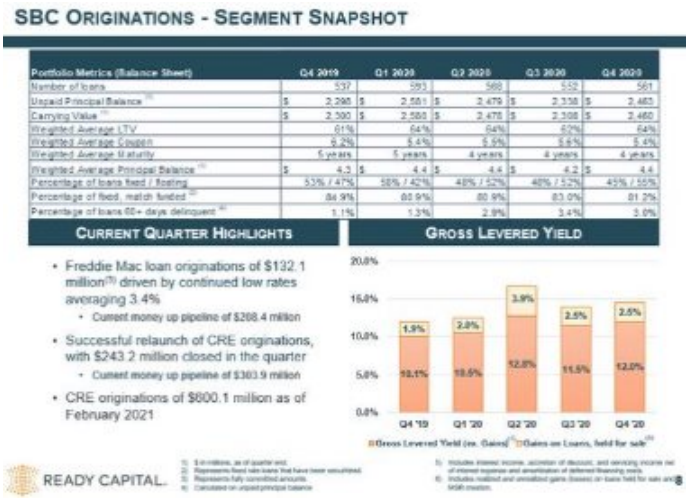


The following table provides a detailed breakdown of our calculation of return on equity and distributable return on equity for the three and twelve months ended December 31, 2020. Distributable return on equity is not a measure calculated in accordance with GAAP and is defined further within Item 7 – Non-GAAP Financial Measures in this Annual report on Form 10-K.

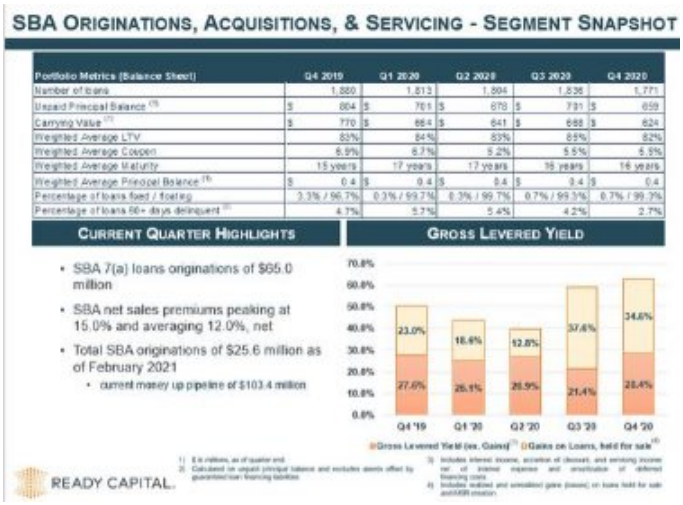


Portfolio Metrics

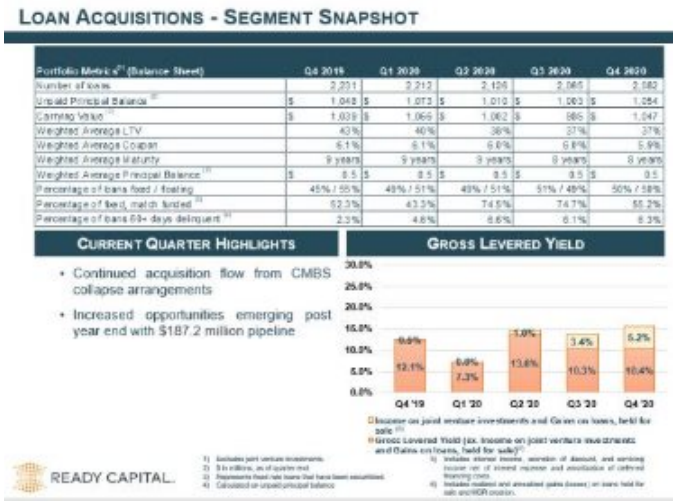
SBC Originations. The following table includes certain portfolio metrics related to our SBC originations segment:



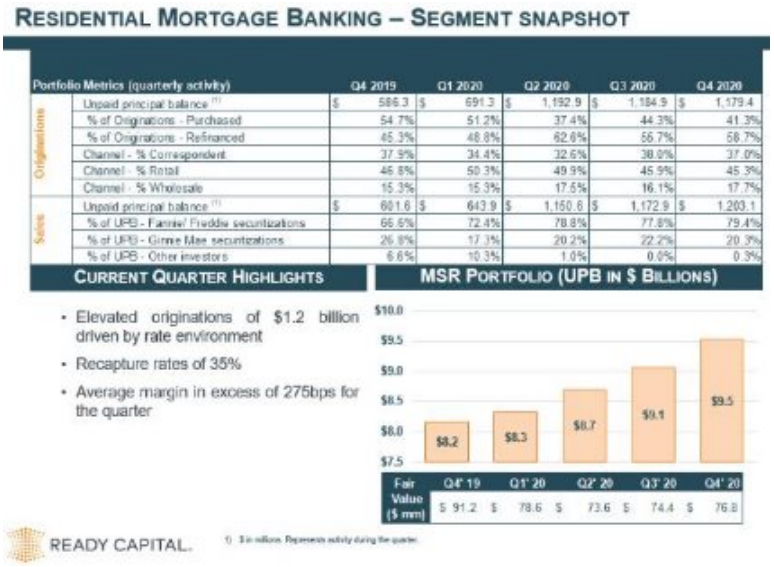
SBA Originations, Acquisitions, and Servicing. The following table includes certain portfolio metrics related to our SBA originations, acquisitions and servicing segment:



Acquired Portfolio. The following table includes certain portfolio metrics related to our acquisitions segment:



Residential Mortgage Banking. The following table includes certain portfolio metrics related to our residential mortgage banking segment:



Balance Sheet Analysis and Metrics

The following table compares our consolidated balance sheets as of December 31, 2020 and 2019:

(In Thousands)	December 31, 2020	December 31, 2019	$ Change Q4'20 vs. Q4'19	% Change Q4'20 vs. Q4'19
Assets				
Cash and cash equivalents	$ 138,975	$ 67,928	$ 71,047	105 %
Restricted cash	47,697	51,728	(4,031)	(8)
Loans, net (including $88,726 and $20,212 held at fair value)	1,625,555	1,727,984	(102,429)	(6)
Loans, held for sale, at fair value	340,288	188,077	152,211	81
Mortgage backed securities, at fair value	88,011	92,466	(4,455)	(5)
Loans eligible for repurchase from Ginnie Mae	250,132	77,953	172,179	221
Investment in unconsolidated joint ventures	79,509	58,850	20,659	35
Purchased future receivables, net	17,308	43,265	(25,957)	(60)
Derivative instruments	16,363	2,814	13,549	481
Servicing rights (including $76,840 and $91,174 held at fair value)	114,663	121,969	(7,306)	(6)
Real estate, held for sale	45,348	58,573	(13,225)	(23)
Other assets	89,503	106,925	(17,422)	(16)
Assets of consolidated VIEs	2,518,743	2,378,486	140,257	6
Total Assets	**$ 5,372,095**	**$ 4,977,018**	**$ 395,077**	**8 %**
Liabilities				
Secured borrowings	1,370,519	1,189,392	181,127	15
Securitized debt obligations of consolidated VIEs, net	1,905,749	1,815,154	90,595	5
Convertible notes, net	112,129	111,040	1,089	1
Senior secured notes, net	179,659	179,289	370	0
Corporate debt, net	150,989	149,986	1,003	1
Guaranteed loan financing	401,705	485,461	(83,756)	(17)
Liabilities for loans eligible for repurchase from Ginnie Mae	250,132	77,953	172,179	221
Derivative instruments	11,604	5,250	6,354	121
Dividends payable	19,746	21,302	(1,556)	(7)
Accounts payable and other accrued liabilities	135,655	97,407	38,248	39
Total Liabilities	**$ 4,537,887**	**$ 4,132,234**	**$ 405,653**	**10 %**
Stockholders' Equity				
Common stock, $0.0001 par value, 500,000,000 shares authorized, 54,368,999 and 51,127,326 shares issued and outstanding, respectively	5	5	—	—
Additional paid-in capital	849,541	822,837	26,704	3
Retained earnings	(24,203)	8,746	(32,949)	(377)
Accumulated other comprehensive loss	(9,947)	(6,176)	(3,771)	61
Total Ready Capital Corporation equity	815,396	825,412	(10,016)	(1)
Non-controlling interests	18,812	19,372	(560)	(3)
Total Stockholders' Equity	**$ 834,208**	**$ 844,784**	**$ (10,576)**	**(1)%**
Total Liabilities and Stockholders' Equity	**$ 5,372,095**	**$ 4,977,018**	**$ 395,077**	**8 %**

As of December 2020, total assets in our consolidated balance sheet were $5.4 billion, an increase of $395 million from December 2019, primarily reflecting an increase in Loans eligible for repurchase from Ginnie Mae, Loans, held for sale, at fair value and assets of consolidated VIEs, partially offset by a decrease in Loans, net. Loans eligible for repurchase from Ginnie Mae increased $172 million primarily due to an increase in demand for residential loans and refinancing as the rate environment decreased. Loans, held for sale, at fair value increased $152 million primarily due to an increase in volumes for agency Freddie Mac and residential loans. Assets of consolidated VIEs increased $140 million primarily due to the transfer of loans as a result of securitizations. Loan originations and acquisitions of $1.0 billion was partially offset by scheduled and unscheduled payments of $962 million. Loans, net decreased by $102 million primarily due to the transfer of loans as a result of securitizations.

As of December 2020, total liabilities in our consolidated balance sheet were $4.5 billion, an increase of $406 million from December 2019, primarily reflecting an increase in Secured borrowings and Liabilities for loans eligible for repurchase from Ginnie Mae. Secured borrowings increased $181 million, primarily due to borrowings from the Federal Reserve's Paycheck Protection Program Liquidity Facility for loans made under the Paycheck Protection Program, borrowings against ORM collateral from Bank of Sierra and an increase in borrowings associated with higher volumes from gains on sale agency loans. Liabilities for loans eligible for repurchase from Ginnie Mae increased $172 million, primarily due to an in increase in borrowings associated with higher demand for residential loans and refinancings as the rate environment decreased.

Total equity attributable to our company decreased by $11 million, primarily due to provisions for loan losses associated with the implementation of CECL, partially offset by gains from PPP loan originations and net interest income from the overall loans portfolio.

Selected Balance Sheet Information by Business Segment and Corporate – Other. The following table presents certain selected balance sheet data by each of our four business segments, with the remaining amounts reflected in *Corporate –Other*, as of December 31, 2020:

(in thousands)	Loan Acquisitions	SBC Originations	SBA Originations, Acquisitions and Servicing	Residential Mortgage Banking	Total
Assets					
Loans, net [1][2]	$ 1,010,227	$ 2,434,345	$ 697,314	$ 3,208	$ 4,145,094
Loans, held for sale, at fair value	511	69,098	10,232	260,447	340,288
Mortgage backed securities, at fair value	22,124	65,887	—	—	88,011
Servicing rights	—	19,059	18,764	76,840	114,663
Investment in unconsolidated joint ventures	79,509	—	—	—	79,509
Purchased future receivables, net	17,308	—	—	—	17,308
Real estate, held for sale [1]	45,348	4,456	—	—	49,804
Liabilities					
Secured borrowings	$ 335,528	$ 608,491	$ 146,832	$ 279,668	$ 1,370,519
Securitized debt obligations of consolidated VIEs	478,033	1,326,248	101,468	—	1,905,749
Guaranteed loan financing	—	—	401,705	—	401,705
Senior secured notes, net	42,652	129,962	7,045	—	179,659
Corporate debt, net	75,355	75,634	—	—	150,989
Convertible notes, net	55,263	51,268	5,598	—	112,129

(1) Includes assets of consolidated VIEs
(2) Excludes allowance for loan losses

Income Statement Analysis and Metrics

The following table compares our consolidated statements of income for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands):

	For the Year Ended December 31,			$ Change	
(in thousands)	**2020**	**2019**	**2018**	**2020 vs. 2019**	**2019 vs. 2018**
Interest income					
Acquisitions	$ 61,156	$ 65,922	$ 47,243	$ (4,766)	$ 18,679
SBC originations	150,369	127,495	81,752	22,874	45,743
SBA originations, acquisitions and servicing	39,430	32,096	36,706	7,334	(4,610)
Residential mortgage banking	7,681	4,403	3,798	3,278	605
Total interest income	$ 258,636	$ 229,916	$ 169,499	$ 28,720	$ 60,417
Interest expense					
Acquisitions	(43,383)	(40,502)	(28,946)	(2,881)	(11,556)
SBC originations	(95,061)	(90,677)	(60,879)	(4,384)	(29,798)
SBA originations, acquisitions and servicing	(27,472)	(14,864)	(16,218)	(12,608)	1,354
Residential mortgage banking	(8,294)	(5,837)	(3,195)	(2,457)	(2,642)
Corporate - other	(1,271)	-	-	(1,271)	-
Total interest expense	$ (175,481)	$ (151,880)	$ (109,238)	$ (23,601)	$ (42,642)
Net interest income before provision for loan losses	83,155	78,036	60,261	5,119	17,775
Acquisitions	(3,502)	(808)	(1,727)	(2,694)	919
SBC originations	(23,432)	(319)	(13)	(23,113)	(306)
SBA originations, acquisitions and servicing	(7,792)	(2,557)	39	(5,235)	(2,596)
Provision for loan losses	(34,726)	(3,684)	(1,701)	(31,042)	(1,983)
Net interest income after provision for loan losses	$ 48,429	$ 74,352	$ 58,560	$ (25,923)	$ 15,792
Non-interest income					
Acquisitions	13,812	13,222	16,403	590	(3,181)
SBC originations	22,548	20,448	23,386	2,100	(2,938)
SBA originations, acquisitions and servicing	57,330	22,461	22,088	34,869	373
Residential mortgage banking	240,878	87,858	86,015	153,020	1,843
Corporate - other	189	30,639	31	(30,450)	30,608
Total non-interest income	$ 334,757	$ 174,628	$ 147,923	$ 160,129	$ 26,705
Non-interest expense					
Acquisitions	(34,263)	(12,360)	(9,256)	(21,903)	(3,104)
SBC originations	(37,316)	(25,451)	(24,375)	(11,865)	(1,076)
SBA originations, acquisitions and servicing	(33,734)	(24,118)	(18,227)	(9,616)	(5,891)
Residential mortgage banking	(186,146)	(90,685)	(71,934)	(95,461)	(18,751)
Corporate - other	(37,274)	(31,862)	(19,848)	(5,412)	(12,014)
Total non-interest expense	$ (328,733)	$ (184,476)	$ (143,640)	$ (144,257)	$ (40,836)
Net income (loss) before provision for income taxes					
Acquisitions	(6,180)	25,474	23,717	(31,654)	1,757
SBC originations	17,108	31,496	19,871	(14,388)	11,625
SBA originations, acquisitions and servicing	27,762	13,018	24,388	14,744	(11,370)
Residential mortgage banking	54,119	(4,261)	14,684	58,380	(18,945)
Corporate - other	(38,356)	(1,223)	(19,817)	(37,133)	18,594
Total net income before provision for income taxes	$ 54,453	$ 64,504	$ 62,843	$ (10,051)	$ 1,661

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

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

(In Thousands)	Year Ended December 31, 2020	2019	2018	$ Change 2020 vs. 2019	2019 vs. 2018
Realized gains (losses) on financial instruments					
Realized gains on loans - Freddie Mac	$ 6,887	$ 5,404	$ 6,956	$ 1,483	$ (1,552)
Creation of mortgage servicing rights - Freddie Mac	8,850	5,195	6,832	3,655	(1,637)
Realized gains on loans - SBA	14,330	11,542	12,160	2,788	(618)
Creation of mortgage servicing rights - SBA	4,153	3,519	3,569	634	(50)
Realized gain (loss) on derivatives, at fair value	(4,998)	629	3,569	(5,627)	(2,940)
Realized gain (loss) on mortgage backed securities, at fair value	2,536	3,507	5,192	(971)	(1,685)
Net realized gains (losses) - all other	155	(838)	131	993	(969)
Net realized gain on financial instruments	**$ 31,913**	**$ 28,958**	**$ 38,409**	**$ 2,955**	**$ (9,451)**
Unrealized gains (losses) on financial instruments					
Unrealized gain (loss) on loans - Freddie Mac	$ 578	$ (87)	$ (599)	$ 665	$ 512
Unrealized gain (loss) on loans - SBA	(1,084)	392	173	(1,476)	219
Unrealized gain (loss) on residential mortgage servicing rights, at fair value	(37,258)	(18,567)	5,694	(18,691)	(24,261)
Unrealized gain (loss) on derivatives, at fair value	(3,937)	(2,016)	(3,186)	(1,921)	1,170
Unrealized gain (loss) on mortgage backed securities, at fair value	(9,421)	1,023	3,320	(10,444)	(2,297)
Net unrealized gains (losses) - all other	3,021	465	(549)	2,556	1,014
Net unrealized gain (loss) on financial instruments	**$ (48,101)**	**$ (18,790)**	**$ 4,853**	**$ (29,311)**	**$ (23,643)**

Acquisition Segment Results.

2020 versus 2019. Interest income of $61.2 million for 2020 represented a decrease of $4.8 million from the prior year, primarily due to a decrease in paydown revenue, partially offset by portfolio interest income due to an increase in carrying value of the acquired loan portfolio as a result of new SBC loan acquisitions. Interest expense of $43.4 million for 2020 represented an increase of $2.9 million from the prior year, primarily due to an increase in borrowing needs due to additional acquisitions and a higher average carrying value of the acquired portfolio. Provision for loan losses of $3.5 million for 2020 represented an increase of $2.7 million from the prior year, primarily due to the implementation of CECL. Non-interest income of $13.8 million for 2020 represented an increase of $0.6 million from the prior year, primarily due to income on purchased future receivables from Knight Capital for a full year, partially offset by unrealized losses on MBS positions due to COVID-19 impacts to the market. Non-interest expense of $34.3 million for 2020 represented an increase of $21.9 million from the prior year, primarily due to compensation and operating expenses from Knight Capital for a full year.

2019 versus 2018. Interest income of $65.9 million for 2019 represented an increase of $18.7 million from the prior year, primarily due to an increase in interest income generated on our acquired SBC loan portfolio due to higher average carrying values as a result of new SBC loan acquisitions, partially offset by paydowns. Interest expense of $40.5 million for 2019 represented an increase of $11.6 million from the prior year, primarily due to an increase in borrowing needs due to additional acquisitions and a higher average carrying value of the acquired loan portfolio. Provision for loan losses of $0.8 million for 2019 represented a decrease of $0.9 million from the prior year, primarily due to a decrease in credit deteriorated loans due to paydowns and sales and increased focus on newer loan vintages with better credit quality. Non-interest income of $13.2 million for 2019 represented a decrease of $3.2 million from the prior year, primarily due to a decrease in income generated on our equity method investments, partially offset by income on purchased future receivables acquired as part of our acquisition of Knight Capital. Non-interest expense of $12.4 million for 2019 represented an increase of $3.1 million from the prior year, primarily due to an increase in loan servicing expense and an increase in employee compensation due to the acquisition of Knight Capital.

SBC Originations Segment Results.

2020 versus 2019. Interest income of $150.4 million for 2020 represented an increase of $22.9 million from the prior year, primarily due to SBC loan originations, resulting in higher average loan balances. Interest expense of $95.1 million for 2020 represented an increase of $4.4 million from the prior year, primarily due to an increase in borrowing needs required to finance new originations. Provision for loan losses of $23.4 million for 2020 represented an increase of $23.1 million from the prior year, primarily due to the implementation of CECL. Non-interest income of $22.5 million for 2020 represented an increase of $2.1 million from the prior year, primarily due to an increase in Freddie Mac realized gains and the creation of MSRs. Non-interest expense of $37.3 million for 2020 represented an increase of $11.9 million from the prior year, primarily due to an increase in compensation expense.

2019 versus 2018. Interest income of $127.5 million for 2019 represented an increase of $45.7 million from the prior year, primarily due to an increase in SBC loan originations, resulting in higher average loan balances. Interest expense of $90.7 million for 2019 represented an increase of $29.8 million from the prior year, primarily due to an increase in borrowing needs required to finance new originations. Provision for loan losses of $0.3 million for 2019 was essentially unchanged from the prior year. Non-interest income of $20.4 million for 2019 represented a decrease of $2.9 million from the prior year, primarily due to a decrease in realized gains on sales of Freddie Mac loans and a decrease in realized gains on the creation of Freddie Mac MSRs, partially offset by servicing income on Freddie Mac loans. Non-interest expense of $25.5 million for 2019 represented an increase of $1.1 million from the prior year, primarily due to an increase in loan servicing expenses and other operating expenses, partially offset by a decrease in employee compensation expense.

SBA Originations, Acquisitions and Servicing Segment Results.

2020 versus 2019. Interest income of $39.4 million for 2020 represented an increase of $7.3 million from the prior year, primarily due to an increase in guaranteed loan financing from guaranteed portions of loans sold tied to securitization activity. Interest expense of $27.5 million for 2020 represented an increase of $12.6 million from the prior year, primarily due to an increase in guaranteed loan financing from guaranteed portions of loans sold tied to securitization activity. Provision for loan losses of $7.8 million for 2020 represented an increase of $5.2 million from the prior year, primarily due to the implementation of CECL. Non-interest income of $57.3 million for 2020 represented an increase of $34.9 million from the prior year, primarily due to revenue from originated PPP loans. Non-interest expense of $33.7 million for 2020 represented an increase of $9.6 million from the prior year, primarily due to an increase in expenses related to originated PPP loans.

2019 versus 2018. Interest income of $32.1 million for 2019 represented a decrease of $4.6 million from the prior year, primarily due to a decrease in interest income generated on our acquired SBA 7(a) loan portfolio as we have shifted capital to new SBA loan originations, partially offset by an increase in realized gains on sales of SBA loans and originated SBA loan servicing income. Interest expense of $14.9 million for 2019 represented a decrease of $1.3 million from the prior year, primarily due to a decrease in borrowing activities under secured borrowings and guaranteed loan financing. Provision for loan losses of $2.6 million for 2019 represented an increase of $2.6 million from the prior year, primarily due to an increase in the general allowance for loan losses on originated SBA 7(a) loans and an increase in the specific allowance for loan losses on legacy acquired SBA 7(a) loans. Non-interest income of $22.5 million for 2019 was essentially unchanged from the prior year. Non-interest expense of $24.1 million for 2019 represented an increase of $5.9 million from the prior year, primarily due to an increase in employee compensation expense and other operating expenses.

Residential Mortgage Banking Segment Results.

2020 versus 2019. Interest income of $7.7 million for 2020 represented an increase of $3.3 million from the prior year, primarily due to an increase in overall loan originations. Interest expense of $8.3 million for 2020 represented an increase of $2.5 million from the prior year, primarily due to an increase in borrowing needs required to finance new originations. Non-interest income of $240.9 million for 2020 represented an increase of $153.0 million from the prior year, primarily due to an increase in revenue generated on residential mortgage banking activities. Non-interest expense of $186.1 million for 2020 represented an increase of $95.5 million from the prior year, primarily due to an increase in variable expenses on residential mortgage banking activities due to increased loan origination volumes.

2019 versus 2018. Interest income of $4.4 million for 2019 represented an increase of $0.6 million from the prior year, primarily due to an increase in overall loan originations and carrying values. Interest expense of $5.8 million for 2019 represented an increase of $2.6 million from the prior year, primarily due to an increased need to finance a greater number of loans. Non-interest income of $87.9 million for 2019 represented an increase of $1.8 million from the prior year, primarily due to an increase in revenue generated on residential mortgage banking activities and loan servicing income, partially offset by unrealized losses on residential MSRs carried at fair value. Non-interest expense of $90.7 million for 2019 represented an increase of $18.8 million from the prior year, primarily due to an increase in variable expenses on residential mortgage banking activities due to increased loan origination volumes.

Corporate – Other.

2020 versus 2019. Non-interest income of $0.2 million for 2020 represented a decrease of $30.5 million from the prior year, primarily due to a one-time bargain purchase gain related to the acquisition of ORM in 2019. Interest expense of $1.3 million for 2020 represented an increase of $1.3 million from the prior year, due to repo borrowings for general business purposes. All interest expense from corporate debt offerings were deployed to the business segments. Non-interest

expense of $37.3 million for 2020 represented an increase of $5.4 million from the prior year, primarily due to an increase in management and incentive fees and professional fees, partially offset by one-time merger expenses in 2019.

2019 versus 2018. Non-interest income of $30.6 million for 2019 represented a bargain purchase gain related to the acquisition of ORM. There was no interest expense incurred during 2019 and 2018 as all borrowings from corporate debt offerings were deployed to the business segments. Non-interest expense of $31.9 million for 2019 represented an increase of $12.0 million from the prior year, primarily due to merger-related expenses, an increase in employee compensation expense and an increase in management fees.

Non-GAAP financial measures

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

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

i) any unrealized gains or losses on certain MBS
ii) any realized gains or losses on sales of certain MBS
iii) any unrealized gains or losses on Residential MSRs
iv) any unrealized current non-cash provision for credit losses on accrual loans
v) any unrealized gains or losses on de-designated cash flow hedges
vi) one-time non-recurring gains or losses, such as gains or losses on discontinued operations, bargain purchase gains, or merger related expenses

In calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude unrealized gains and losses on MBS acquired by us in the secondary market, but is not adjusted to exclude unrealized gains and losses on MBS retained by us as part of our loan origination businesses, where we transfer originated loans into an MBS securitization and retain an interest in the securitization. In calculating distributable earnings, we do not adjust net income (in accordance with GAAP) to take into account unrealized gains and losses on MBS retained by us as part of our loan origination businesses because we consider the unrealized gains and losses that are generated in the loan origination and securitization process to be a fundamental part of this business and an indicator of the ongoing performance and credit quality of our historical loan originations. In calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude realized gains and losses on certain MBS securities due to a variety of reasons which may include collateral type, duration, and size. In 2016, we liquidated the majority of our MBS portfolio excluded from distributable earnings to fund our recurring operating segments.

In addition, in calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude unrealized gains or losses on residential MSRs, held at fair value. We treat our commercial MSRs and residential MSRs as two separate classes based on the nature of the underlying mortgages and our treatment of these assets as two separate pools for risk management purposes. Servicing rights relating to our small business commercial business are accounted for under ASC 860, *Transfer and Servicing*, while our residential MSRs are accounted for under the fair value option under ASC 825, *Financial Instruments*. In calculating distributable earnings, we do not exclude realized gains or losses on either commercial MSRs or residential MSRs, held at fair value, as servicing income is a fundamental part of our business and as an indicator of the ongoing performance.

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

The following table presents an annual reconciliation to distributable earnings:

	Year Ended December 31,			Change	
(in thousands)	2020	2019	2018	2020 vs 2019	2019 vs 2018
Net Income	**$ 46,069**	**$ 75,056**	**$ 61,457**	**$ (28,987)**	**$ 13,599**
Reconciling items:					
Unrealized (gain) loss on mortgage servicing rights	37,258	18,567	(4,206)	18,691	22,773
Impact of ASU 2016-13 on accrual loans	19,527	—	—	19,527	—
Non-recurring REO impairment	3,406	—	—	3,406	—
Merger transaction costs and other non-recurring expenses	4,543	8,852	—	(4,309)	8,852
Bargain purchase gain	—	(30,728)	—	30,728	(30,728)
Unrealized (gain) loss on mortgage-backed securities	185	234	381	(49)	(147)
Unrealized loss on de-designated cash flow hedges	2,118	—	—	2,118	—
Total reconciling items	**$ 67,037**	**$ (3,075)**	**$ (3,825)**	**$ 70,112**	**$ 750**
Income tax adjustments	(11,727)	(4,720)	1,059	(7,007)	(5,779)
Distributable Earnings	**$ 101,379**	**$ 67,261**	**$ 58,691**	**$ 34,118**	**$ 8,570**
Less: Distributable earnings attributable to non-controlling interests	2,351	1,871	2,100	480	(229)
Less: Income attributable to participating shares	1,392	653	204	739	449
Distributable earnings attributable to common stockholders	**97,636**	**64,737**	**56,387**	**32,899**	**8,350**
Distributable earnings per common share - basic and diluted	**$ 1.82**	**$ 1.54**	**$ 1.76**	**$ 0.28**	**$ (0.22)**

2020 versus 2019. Consolidated net income of $46.1 million for 2020 represented a decrease of $29.0 million from the prior year, primarily due to an increase of reserves on loans due to the uncertainty of loan performance and recovery related to COVID-19 as well as an increase in unrealized losses on residential mortgage servicing rights, partially offset by net income on PPP activities. Consolidated distributable earnings of $101.4 million for 2020 represented an increase of $34.1 million from the prior year, primarily due to PPP related income and residential mortgage banking activities as well as an increase in distributable earnings reconciling items including unrealized losses on residential mortgage servicing rights and the impact of the adoption of ASU 2016-13 on accrual loans.

2019 versus 2018. Consolidated net income of $75.1 million for 2019 represented an increase of $13.6 million from the prior year, primarily due to the recognition of a bargain purchase gain, partially offset by merger transaction costs, primarily due to the acquisition of ORM, and an increase in net interest income after provision for loan losses, partially offset by after-tax unrealized losses on our residential mortgage servicing rights carried at fair value. Consolidated distributable earnings of $67.3 million for 2019 represented an increase of $8.6 million from the prior year, primarily due to an increase in SBC loan originations and loan acquisitions.

The following table presents a quarterly reconciliation to distributable earnings:

	Three Months Ended December 31,		
(in thousands)	2020	2019	Change
Net Income	**$ 27,559**	**$ 20,936**	**$ 6,623**
Reconciling items:			
Unrealized (gain) loss on mortgage servicing rights	4,087	(2,482)	6,569
Impact of ASU 2016-13 on accrual loans	(3,587)	—	(3,587)
Non-recurring REO impairment	445	—	445
Merger transaction costs and other non-recurring expenses	1,323	1,938	(615)
Unrealized loss on mortgage-backed securities	—	29	(29)
Total reconciling items	**$ 2,268**	**$ (515)**	**$ 2,783**
Income tax adjustments	(1,023)	544	(1,567)
Distributable earnings	**$ 28,804**	**$ 20,965**	**$ 7,839**
Less: Distributable earnings attributable to non-controlling interests	677	509	169
Less: Income attributable to participating shares	305	413	(108)
Distributable earnings attributable to common stockholders	**$ 27,822**	**$ 20,043**	**$ 7,900**
Distributable earnings per common share - basic and diluted	**$ 0.51**	**$ 0.43**	**$ 0.08**

QTD 2020 versus QTD 2019. Consolidated net income of $27.6 million for the three months ended December 31, 2020 represented an increase of $6.6 million from the prior year respective period, primarily due to an increase in net residential mortgage banking activities, partially offset by an increase in employee compensation and benefits primarily driven by our residential mortgage banking segment. Consolidated distributable earnings of $28.8 million for the three months ended December 31, 2020 represented an increase of $7.8 million from the prior year respective period, primarily due to increased net income in the residential mortgage banking segment.

COVID-19 Impact on Operating Results

The significant and wide-ranging response of international, federal, state and local public health and governmental authorities to the COVID-19 pandemic in regions across the United States and the world, including the imposition of quarantines, "stay-at-home" orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations, and the volatile economic, business and financial market conditions resulting therefrom, are expected to negatively impact our business, financial performance and operating results as we enter 2021. Although we are uncertain of the potential full magnitude or duration of the business and economic impacts from the unprecedented public health efforts to contain and combat the spread of COVID-19, we will likely experience material deterioration in our financial performance and operating results, revenues, cash flow and/or profitability in one or more of the upcoming periods in 2021 compared to the corresponding prior-year periods. Further discussion of the potential impacts on our business from the COVID-19 pandemic is provided in the section entitled "Risk Factors" in Part II, Item 1A of this Annual Report on Form 10-K.

Incentive distribution payable to our manager

Under the partnership agreement of our operating partnership, our Manager, the holder of the Class A special unit in our operating partnership, is entitled to receive an incentive distribution, distributed quarterly in arrears in an amount not less than zero equal to the difference between (i) the product of (A) 15% and (B) the difference between (x) distributable earnings (as described below) of our operating partnership, on a rolling four-quarter basis and before the incentive distribution for the current quarter, and (y) the product of (1) the weighted average of the issue price per share of common stock or operating partnership unit ("OP unit") (without double counting) in all of our offerings multiplied by the weighted average number of shares of common stock outstanding (including any restricted shares of common stock and any other shares of common stock underlying awards granted under our 2012 equity incentive plan) and OP units (without double counting) in such quarter and (2) 8%, and (ii) the sum of any incentive distribution paid to our Manager with respect to the first three quarters of such previous four quarters; provided, however, that no incentive distribution is payable with respect to any calendar quarter unless cumulative distributable earnings is greater than zero for the most recently completed 12 calendar quarters.

For purposes of calculating the incentive distribution, the shares of common stock and OP units issued as of the closing of the ZAIS Financial merger in connection with the merger agreement were deemed to be issued at the per share price equal to (i) the sum of (A) the weighted average of the issue price per share of Sutherland common stock or Sutherland OP units (without double counting) issued prior to the closing of the ZAIS Financial merger multiplied by the number of shares of Sutherland common stock outstanding and Sutherland OP units (without double counting) issued prior to the closing of the merger plus (B) the amount by which the net book value of our Company as of the closing of the merger (after giving effect to the closing of the merger agreement) exceeded the amount of the net book value of Sutherland immediately preceding the closing of the merger, divided by (ii) all of the shares of our common stock and OP units issued and outstanding as of the closing of the merger (including the date of the closing of the mergers).

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

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

Liquidity and Capital Resources

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

We are continuing to monitor the COVID-19 pandemic and its impact on us, the borrowers underlying our real estate-related assets, the tenants in the properties we own, our financing sources, and the economy as a whole. Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences remain uncertain, rapidly changing and difficult to predict, the pandemic's impact on our operations and liquidity remains uncertain and difficult to predict. Further discussion of the potential impacts on us from the COVID-19 pandemic is provided in the section entitled "Risk Factors" in Part II, Item 1A of this Annual Report on Form 10-K.

Cash flow

Year Ended December 31, 2020. Cash and cash equivalents increased by $72.5 million to $200.5 million at the end of 2020, primarily due to net cash provided by operating and financing activities, partially offset by net cash used for investing activities. The net cash provided by operating activities primarily reflected net realized gains on financial instruments and net proceeds on the origination and sale of loans, held for sale, at fair value. The net cash provided by financing activities primarily reflected proceeds from issuances of securitized debt and net proceeds from secured borrowings as a result of an increase in our origination and acquisition activities, partially offset by paydowns of secured debt and dividend payments. The net cash used for investing activities primarily reflected loan originations and purchases, partially offset by paydowns.

Year Ended December 31, 2019. Cash and cash equivalents increased by $33.0 million to $128.0 million at the end of 2019, primarily due to net cash provided by financings activities, partially offset by net cash used for investing and operating activities. The net cash provided by financing activities primarily reflected proceeds from issuances of securitized debt, partially offset by repayments and net proceeds from secured borrowings as a result of an increase in our origination and acquisition activities. The net cash used for investing activities primarily reflected loan originations and purchases, partially offset by paydowns. The net cash used for operating activities primarily reflected net realized gains on financial instruments.

Year Ended December 31, 2018. Cash and cash equivalents increased by $4.0 million to $95.0 million at the end of 2018, primarily due to net cash provided by financings and operating activities, partially offset by net cash used for investing activities. The net cash provided by financing activities primarily reflected proceeds from issuances of securitized debt and secured borrowings, partially offset by repayments. The net cash used for investing activities primarily reflected loan originations and purchases, partially offset by paydowns. The net cash provided by operating activities primarily reflected proceeds on sales and principal payments of loans held for sale, at fair value, partially offset by originations and purchases of loans held for sale, at fair value.

Collateralized borrowings under repurchase agreements

The following table presents the amount of collateralized borrowings outstanding under repurchase agreements as of the end of each quarter, the average amount of collateralized borrowings outstanding under repurchase agreements during the quarter and the highest balance of any month end during the quarter (dollars in thousands):

Quarter End	Quarter End Balance	Average Balance in Quarter	Highest Month End Balance in Quarter
Q1 2018	446,663	414,638	446,663
Q2 2018	443,263	444,963	447,751
Q3 2018	610,251	526,757	610,251
Q4 2018	635,233	622,742	635,233
Q1 2019	597,963	604,107	635,233
Q2 2019	612,383	605,173	612,383
Q3 2019	876,163	744,273	876,163
Q4 2019	809,189	842,676	876,163
Q1 2020	1,159,357	984,273	1,159,357
Q2 2020	714,162	936,760	1,057,522
Q3 2020	624,549	669,356	831,200
Q4 2020	827,569	726,059	827,569

Year Ended December 31, 2020. The net increase in the outstanding balances during 2020 was primarily due to increased liquidity in the early half of 2020 due to uncertainty around COVID-19. Since then, borrowings under repurchases have reduced to normalized levels.

Year Ended December 31, 2019. The net increase in the outstanding balances during 2019 was primarily due to the increased loan origination and acquisition activity, resulting in a greater need to finance these assets through borrowings under repurchase agreements. These balances were partially paid down during the fourth quarter of 2019 using proceeds received from our securitization activities and equity issuances.

Year Ended December 31, 2018. The net increase in the outstanding balances during 2018 was primarily due to the increased loan and MBS investment activity, resulting in a greater need to finance these assets through borrowings under repurchase agreements. These balances are typically paid down as we securitize our acquired and originated loan assets and issue senior bonds.

Debt facilities

We maintain various forms of short-term and long-term financing arrangements. Borrowings underlying these arrangements are primarily secured by loans and investments. The following is a summary of our debt facilities:

						Carrying Value at	
Lender	Asset Class	Current Maturity	Pricing	Facility Size	Pledged Assets Carrying Value	December 31, 2020	December 31, 2019
JPMorgan	Acquired loans, SBA loans	June 2021	1M L + 2.25% to 2.875%	$ 200,000	$ 52,068	$ 36,604	$ 88,972
Keybank	Freddie Mac loans	February 2021	1M L + 1.30%	100,000	51,248	50,408	21,513
East West Bank	SBA loans	October 2022	Prime - 0.821% to + 0.29%	50,000	50,516	40,542	13,294
Credit Suisse	Acquired loans (non USD)	December 2021	Euribor + 2.50% to 3.00%	244,280 (a)	59,353	36,840	37,646
FCB	Acquired loans	June 2021	2.75%	—	—	—	1,354
Comerica Bank	Residential loans	March 2021	1M L + 1.75%	125,000	84,755	78,312	56,822
TBK Bank	Residential loans	October 2021	Variable Pricing	150,000	129,043	123,951	52,151
Origin Bank	Residential loans	June 2021	Variable Pricing	60,000	29,381	27,450	15,343
Associated Bank	Residential loans	November 2021	1M L + 1.50%	60,000	16,962	15,556	5,823
East West Bank	Residential MSRs	September 2023	1M L + 2.50%	50,000	50,941	34,400	39,900
Credit Suisse	Purchased future receivables, PPP loans	June 2021	1M L + 4.50%	150,000	—	—	34,900
Rabobank	Real estate	January 2021	4.22%	14,500	—	—	12,485
Federal Reserve Bank of Minneapolis	PPP loans	April 2022	0.35%	105,222	73,799	76,276	—
Bank of the Sierra	Real estate	August 2050	3.25% to 3.45%	22,750	32,948	22,611	—
Total borrowings under credit facilities (b)				**$ 1,331,752**	**$ 631,014**	**$ 542,950**	**$ 380,203**
Citibank	Fixed rate, Transitional, Acquired loans	October 2021	1M L + 2.50% to 3.25%	$ 500,000	$ 196,304	$ 210,735	$ 124,718
Deutsche Bank	Fixed rate, Transitional loans	November 2021	3M L + 2.00% to 2.40%	350,000	266,014	190,567	141,356
JPMorgan	Transitional loans	November 2022	1M L + 2.25% to 4.00%	400,000	375,035	247,616	250,466
JPMorgan	MBS	March 2021	1.54% to 4.75%	65,407	107,347	65,407	93,715
Deutsche Bank	MBS	January 2021	3.54%	16,354	20,189	16,354	44,730
Citibank	MBS	February 2021	3.25% to 3.75%	58,076	111,796	58,076	56,189
Bank of America	MBS	Matured	1.31% to 1.61%	—	—	—	38,954
RBC	MBS	February 2021	3.05% to 4.43%	38,814	59,620	38,814	59,061
Total borrowings under repurchase agreements (c)				**$ 1,428,651**	**$ 1,136,305**	**$ 827,569**	**$ 809,189**
Total secured borrowings				**$ 2,760,403**	**$ 1,767,319**	**$ 1,370,519**	**$ 1,189,392**

(a) The current facility size is €200.0 million, but has been converted into USD for purposes of this disclosure.
(b) The weighted average interest rate of borrowings under credit facilities was 2.8% and 4.0% as of December 31, 2020 and 2019, respectively.
(c) The weighted average interest rate of borrowings under repurchase agreements was 3.3% and 4.2% as of December 31, 2020 and 2019, respectively.

Financing facilities

Deutsche Bank loan repurchase facility. Our subsidiaries, ReadyCap Commercial, LLC ("ReadyCap Commercial"), Sutherland Asset I, LLC ("Sutherland Asset I"), Ready Capital Subsidiary REIT I, LLC ("Ready Capital Sub-REIT") and Sutherland Warehouse Trust II, LLC ("Sutherland Warehouse Trust II") renewed their master repurchase agreement in January 2020, pursuant to which ReadyCap Commercial, Sutherland Asset I, Ready Capital Sub REIT and Sutherland Warehouse Trust II may be advanced an aggregate principal amount of up to $350 million on originated mortgage loans (the "DB Loan Repurchase Facility"). As of December 31, 2020, we had $190.6 million outstanding under the DB Loan Repurchase Facility. The DB Loan Repurchase Facility is used to finance SBC loans, and the interest rate is LIBOR plus a spread, which varies depending on the type and age of the loan. The DB Loan Repurchase Facility has been extended through November 2021 and our subsidiaries have an option to extend the DB Loan Repurchase Facility for an additional year, subject to certain conditions. ReadyCap Commercial's, Sutherland Asset I's, Ready Capital Sub REIT's and Sutherland Warehouse Trust II's obligations are fully guaranteed by us.

The eligible assets for the DB Loan Repurchase Facility are loans secured by a first mortgage lien on commercial properties subject to certain eligibility criteria, such as property type, geographical location, LTV ratios, debt yield and debt service coverage ratios. The principal amount paid by the bank for each mortgage loan is based on a percentage of the lesser of the mortgaged property value or the principal balance of such mortgage loan. ReadyCap Commercial, Sutherland Asset I, Ready Capital Sub REIT and Sutherland Warehouse Trust II paid the bank an up-front fee and are also required to pay the bank availability fees, and a minimum utilization fee for the DB Loan Repurchase Facility, as well as certain other administrative costs and expenses. The DB Loan Repurchase Facility also includes financial maintenance covenants, which include (i) an adjusted tangible net worth that does not decline by more than 25% in a quarter, 35% in a year or 50% from the highest adjusted tangible net worth, (ii) a minimum liquidity amount of the greater of (a) $5 million and (b) 3% of the sum of any outstanding recourse indebtedness plus the aggregate repurchase price of the mortgage loans on the Repurchase Agreement; provided however, that no less than two-thirds of the liquidity maintained by the Guarantor to satisfy this shall be cash liquidity, (iii) a debt-to-assets ratio no greater than 80% and (iv) a tangible net worth at least equal to the sum of (a) the product of 1/15 and the amount of all non-recourse indebtedness (excluding the aggregate repurchase price) and other securitization indebtedness and (b) the product of 1/3 and the sum of the aggregate repurchase price and all recourse indebtedness.

JPMorgan loan repurchase facility. Our subsidiaries, ReadyCap Warehouse Financing, LLC ("ReadyCap Warehouse Financing") and Sutherland Warehouse Trust, LLC ("Sutherland Warehouse Trust") entered into a master repurchase agreement in December 2015, pursuant to which ReadyCap Warehouse Financing and Sutherland Warehouse Trust, may sell, and later repurchase, mortgage loans in an aggregate principal amount of up to $400 million. As of October 2019, Ready Capital Mortgage Depositor II, LLC ("Ready Capital Mortgage Depositor II") was added to the agreement. Our subsidiaries renewed their master repurchase agreement with JPMorgan in November 2020 (the "JPM Loan Repurchase Facility"). As of December 31, 2020, we had $247.6 million outstanding under the JPM Loan Repurchase Facility. The JPM Loan Repurchase Facility is used to finance commercial transitional loans, conventional commercial loans and commercial mezzanine loans and securities and the interest rate is LIBOR plus a spread, which is determined by the lender on an asset-by-asset basis. The JPM Loan Repurchase Facility is committed through November 2022, and up to 25% of the then current unpaid obligations of ReadyCap Warehouse Financing's, Sutherland Warehouse Trust's and Ready Capital Mortgage Depositor II, LLC Trust's obligations are fully guaranteed by us.

The eligible assets for the JPM Loan Repurchase Facility are loans secured by first and junior mortgage liens on commercial properties and subject to approval by JPM as the Buyer. The principal amount paid by the bank for each mortgage loan is based on the principal balance of such mortgage loan. ReadyCap Warehouse Financing and Sutherland Warehouse Trust paid the bank a structuring fee and are also required to pay the bank unused fees for the JPM Loan Repurchase Facility, as well as certain other administrative costs and expenses. The JPM Loan Repurchase Facility also includes financial maintenance covenants, which include (i) total stockholders' equity must not be permitted to be less than the sum of (a) 65% of total stockholders' equity as of the most recent renewal date of the facility plus (b) 65% of the net proceeds of any equity issuance after the most recent renewal date (ii) maximum leverage of 3:1, excluding non-recourse indebtedness and (iii) liquidity equal to at least the lesser of (a) 5% of the sum of (without duplication) (1) any outstanding indebtedness plus (2) amounts due under the repurchase agreement and (b) $15.0 million.

Citibank loan repurchase agreement. Our subsidiaries, Waterfall Commercial Depositor, LLC, Sutherland Asset I, LLC, ReadyCap Commercial, LLC and Ready Capital Subsidiary REIT I,LLC renewed a master repurchase agreement in October 2020 with Citibank, N.A. (the "Citi Loan Repurchase Facility" and, together with the DB Loan Repurchase Facility and the JPM Loan Repurchase Facility, the "Loan Repurchase Facilities"), pursuant to where these subsidiaries may sell, and later repurchase, a trust certificate (the "Trust Certificate"), representing interests in mortgage loans in an aggregate principal amount of up to $500 million. As of December 31, 2020, we had $210.7 million outstanding under the Citi Loan Repurchase Facility. The Citi Loan Repurchase Facility is used to finance SBC loans, and the interest rate is one month LIBOR plus a spread, depending on asset characteristics. The Citi Loan Repurchase Facility is committed for a period of 364 days, and up to 25% of the then current unpaid obligations of Waterfall Commercial Depositor's, Sutherland Asset I's, Ready Capital Sub REIT's and ReadyCap Commercial, LLC's obligations are fully guaranteed by us.

The eligible assets for the Citi Loan Repurchase Facility are loans secured by a first mortgage lien on commercial properties, which, amongst other things, generally have a UPB of less than $10 million. The principal amount paid by the bank for the Trust Certificate is based on a percentage of the lesser of the market value or the UPB of such mortgage loans backing the Trust Certificate. Waterfall Commercial Depositor, Sutherland Asset I, ReadyCap Commercial, LLC and Ready Capital Sub REIT are required to pay the bank a commitment fee for the Citi Loan Repurchase Facility, as well as certain other administrative costs and expenses. The Citi Loan Repurchase Facility includes financial maintenance covenants, which include (i) our operating partnership's net asset value not (A) declining more than 15% in any calendar month, (B) declining more than 25% in any calendar quarter, (C) declining more than 35% in any calendar year, or (D) declining more than 50% from our operating partnership's highest net asset value set forth in any audited financial statement provided to the bank; (ii) our operating partnership maintaining liquidity in an amount equal to at least 1% of our outstanding indebtedness(excluding non-recourse liabilities in connection with any securitization transaction) of which no more than 20% could be Marketable Securities; and (iii) the ratio of our operating partnership's total indebtedness (excluding non-recourse liabilities in connection with any securitization transaction) to our net asset value not exceeding 4:1 at any time.

Securities repurchase agreements. As of December 31, 2020, we had $178.7 million of secured borrowings related to SBC ABS and pledged Trust Certificates with four counterparties (lenders).

General statements regarding loan and securities repurchase facilities. At December 31, 2020, we had $837.4 million in fair value of Trust Certificates and loans pledged against our borrowings under the Loan Repurchase Facilities and $72.2 million in fair value of SBC ABS and short term investments pledged against our securities repurchase agreement borrowings.

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

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

Our borrowings under repurchase agreements are renewable at the discretion of our lenders and, as such, our ability to roll-over such borrowings is not guaranteed. The terms of the repurchase transaction borrowings under our repurchase agreements generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association, as to repayment, margin requirements and the segregation of all assets we have initially sold under the repurchase transaction. In addition, each lender typically requires that we include supplemental

terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions, which differ by lender, may include changes to the margin maintenance requirements, required haircuts and purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction, and cross default and setoff provisions.

JPMorgan credit facility. We renewed our master loan and security agreement with JPMorgan in June 2020 providing for a credit facility of up to $200 million. As of December 31, 2020, we had $36.6 million outstanding under this credit facility. The credit facility is structured as a secured loan facility in which ReadyCap Lending and Sutherland 2016-1 JPM Grantor Trust act as borrowers. Under this facility, ReadyCap and Sutherland 2016-1 JPM Grantor Trust pledge loans guaranteed by the SBA under the SBA Section 7(a) Loan Program, SBA 504 loans and other loans which were part of the CIT loan acquisition. We act as a guarantor under this facility. The agreement contains financial maintenance covenants, which include (i) total stockholders' equity must not be permitted to be less than the sum of (a) 60% of total stockholders' equity as of the most recent renewal date of the facility plus (b) 50% of the net proceeds of any equity issuance after the most recent renewal date (ii) maximum leverage of 3:1, excluding non-recourse indebtedness and (iii) liquidity equal to at least the lesser of (a) 4% of the sum of (without duplication) (1) any outstanding recourse indebtedness plus (2) the aggregate amount of indebtedness outstanding under the agreement. The amended terms have an interest rate based on loan type ranging from one month LIBOR (reset daily), plus a spread. The term of the facility is one year.

At December 31, 2020, we had a leverage ratio of 2.2x on a recourse debt-to-equity basis.

We maintain certain assets, which, from time to time, may include cash, unpledged SBC loans, SBC ABS and short term investments (which may be subject to various haircuts if pledged as collateral to meet margin requirements) and collateral in excess of margin requirements held by our counterparties, or collectively, the "Cushion", to meet routine margin calls and protect against unforeseen reductions in our borrowing capabilities. Our ability to meet future margin calls will be impacted by the Cushion, which varies based on the fair value of our investments, our cash position and margin requirements. Our cash position fluctuates based on the timing of our operating, investing and financing activities and is managed based on our anticipated cash needs. At December 31, 2020, we were in compliance with all debt covenants.

East West Bank credit facility. Our subsidiary, ReadyCap Lending, LLC renewed a senior secured revolving credit facility with East West Bank in October 2020, which provides financing of up to $50.0 million. The agreement extends for two years, with an additional one year extension at the Company's request and pays interest equal to the Prime Rate minus 0.821% on SBA 7(a) guaranteed loans and the Prime Rate plus 0.029% on unguaranteed loans. At December 31, 2020, we were in compliance with all debt covenants.

Other credit facilities. GMFS funds its origination platform through warehouse lines of credit with five counterparties with total borrowings outstanding of $279.7 million at December 31, 2020. GMFS utilizes committed warehouse lines of credit agreements ranging from $50.0 million to $150.0 million, with expiration dates between March 2021 and September 2023. The lines of credit are collateralized by the underlying mortgages, related documents, and instruments, and contain a LIBOR-based financing rate and term, haircut and collateral posting provisions which depend on the types of collateral and the counterparties involved. These agreements contain covenants that include certain financial requirements, including maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and current ratio and limitations on capital expenditures, indebtedness, distributions, transactions with affiliates and maintenance of positive net income, as defined in the agreements. We were in compliance with all significant debt covenants as of December 31, 2020.

Public debt offerings

Convertible notes. On August 9, 2017, we closed an underwritten public sale of $115.0 million aggregate principal amount of its 7.00% convertible senior notes due 2023 (the "Convertible Notes"). The Convertible Notes will mature on August 15, 2023, unless earlier repurchased, redeemed or converted. During certain periods and subject to certain conditions, the Convertible Notes will be convertible by holders into shares of our common stock. As of December 31, 2020, the conversion rate was 1.5994 shares of common stock per $25 principal amount of the Convertible Notes, which is equivalent to a conversion price of approximately $15.63 per share of common stock. Upon conversion, holders will receive, at our discretion, cash, shares of our common stock or a combination thereof.

We may redeem all or any portion of the Convertible Notes on or after August 15, 2021, if the last reported sale price of our common stock has been at least 120% of the conversion price in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption, at a redemption price payable in cash equal to 100% of the

principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest. Additionally, upon the occurrence of certain corporate transactions, holders may require us to purchase the Convertible Notes for cash at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest.

As of December 31, 2020, we were in compliance with all covenants with respect to the Convertible Notes.

Corporate debt. On April 27, 2018, we completed the public offer and sale of $50,000,000 aggregate principal amount of its 6.50% Senior Notes due 2021 (the "2021 Notes"). We issued the 2021 Notes under a base indenture, dated August 9, 2017, as supplemented by the second supplemental indenture, dated as of April 27, 2018, between us and U.S. Bank National Association, as trustee. The 2021 Notes bear interest at a rate of 6.50% per annum, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018. The 2021 Notes will mature on April 30, 2021, unless earlier redeemed or repurchased.

We may redeem for cash all or any portion of the 2021 Notes, at our option, on or after April 30, 2019 and before April 30, 2020 at a redemption price equal to 101% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after April 30, 2020, we may redeem for cash all or any portion of the 2021 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If we undergo a change of control repurchase event, holders may require it to purchase the 2021 Notes, in whole or in part, for cash at a repurchase price equal to 101% of the aggregate principal amount of the 2021 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase, as described in greater detail in the Indenture. On February 24, 2021, we announced our intention to redeem all of the outstanding 2021 Notes. The redemption date is March 26, 2021 and the redemption price is 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The 2021 Notes are our senior direct unsecured obligations and will not be guaranteed by any of its subsidiaries, except to the extent described in the Indenture upon the occurrence of certain events. The 2021 Notes rank equal in right of payment to any of our existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of its subsidiaries.

On July 22, 2019, we completed the public offer and sale of $57.5 million aggregate principal amount of its 6.20% Senior Notes due 2026 (the "2026 Notes" and together with the 2021 Notes, the "Corporate Debt"), which includes $7.5 million aggregate principal amount of the 2026 Notes relating to the full exercise of the underwriters' over-allotment option. The net proceeds from the sale of the 2026 Notes are approximately $55.3 million, after deducting underwriters' discount and estimated offering expenses. We will contribute the net proceeds to Sutherland Partners, L.P. (the "Operating Partnership"), its operating partnership subsidiary, in exchange for the issuance by the Operating Partnership of a senior unsecured note with terms that are substantially equivalent to the terms of the 2026 Notes. The Operating Partnership intends to use the net proceeds to originate or acquire our target assets and for general business purposes.

The 2026 Notes bear interest at a rate of 6.20% per annum, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2019. The 2026 Notes will mature on July 30, 2026, unless earlier repurchased or redeemed.

We may redeem for cash all or any portion of the 2026 Notes, at its option, on or after July 30, 2022 and before July 30, 2025 at a redemption price equal to 101% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after July 30, 2025, we may redeem for cash all or any portion of the 2026 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If we undergo a change of control repurchase event, holders may require it to purchase the 2026 Notes, in whole or in part, for cash at a repurchase price equal to 101% of the aggregate principal amount of the 2026 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase, as described in greater detail in the Indenture.

The 2026 Notes are our senior unsecured obligations and will not be guaranteed by any of its subsidiaries, except to the extent described in the Indenture upon the occurrence of certain events. The 2026 Notes rank equal in right of payment to any of our existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of its subsidiaries.

On December 2, 2019, we completed the public offer and sale of $45.0 million aggregate principal amount of the 2026 Notes. The new notes have the same terms (expect with respect to issue date, issue price and the date from which interest will accrue) as, are fully fungible with and are treated as a single series of debt securities as, the 6.20% Senior Notes due 2026 we issued on July 22, 2019.

As of December 31, 2020, we were in compliance with all covenants with respect to the corporate debt.

Subsequent to December 31, 2020, we completed the issuance of a public offering of $201.25 million in 5.75% senior notes due 2026 on February 10, 2021. We intend to use the net proceeds from the offering to redeem all of the outstanding 2021 Notes, as described above. We intend to use the remainder of the net proceeds for general business purposes, including to fund our small balance commercial origination and acquisition pipelines.

Public equity offerings

In December 2019, we completed a public offering of 6,000,000 shares of our common stock at a public offering price of $15.30 per share and an additional 900,000 shares of common stock at a public offering price of $15.30 per share pursuant to the underwriter's full exercise of the over-allotment option in January 2020. Proceeds, net of offering costs and expenses were $ 91.8 million and $13.8 million for December 2019 and January 2020, respectively. There were no equity offerings during 2020.

Other long term financing

ReadyCap Holdings' 7.50% senior secured notes due 2022. During 2017, ReadyCap Holdings LLC, a subsidiary of the Company, issued $140.0 million in 7.50% Senior Secured Notes due 2022. On January 30, 2018, ReadyCap Holdings LLC, issued an additional $40.0 million in aggregate principal amount of 7.50% Senior Secured Notes due 2022, which have identical terms (other than issue date and issue price) to the notes issued during 2017 (collectively "the Senior Secured Notes"). The additional $40.0 million in Senior Secured Notes were priced with a yield to par call date of 6.5%. Payments of the amounts due on the Senior Secured Notes are fully and unconditionally guaranteed by the Company and its subsidiaries: Sutherland Partners LP, Sutherland Asset I, LLC, and ReadyCap Commercial. The funds were used to fund new SBC and SBA loan originations and new SBC loan acquisitions.

The Senior Secured Notes bear interest at 7.50% per annum payable semiannually on each February 15 and August 15, beginning on August 15, 2017. The Senior Secured Notes will mature on February 15, 2022, unless redeemed or repurchased prior to such date. ReadyCap Holdings may redeem the Senior Secured Notes prior to November 15, 2021, at its option, in whole or in part at any time and from time to time, at a price equal to 100% of the outstanding principal amount thereof, plus the applicable "make-whole" premium as of, and unpaid interest, if any, accrued to, the redemption date. On and after November 15, 2021, ReadyCap Holdings may redeem the Senior Secured Notes, at its option, in whole or in part at any time and from time to time, at a price equal to 100% of the outstanding principal amount thereof plus unpaid interest, if any, accrued to the redemption date.

ReadyCap Holdings' and the Guarantors' respective obligations under the Senior Secured Notes and the Guarantees are secured by a perfected first-priority lien on the capital stock of ReadyCap Holdings and ReadyCap Commercial and certain other assets owned by certain of our Company's subsidiaries as described in greater detail in our Current Report on Form 8-K filed on June 15, 2017. The Senior Secured Notes were issued pursuant to an indenture (the "Indenture") and a first supplemental indenture (the "First Supplemental Indenture"), which contains covenants that, among other things: (i) limit the ability of our Company and its subsidiaries (including ReadyCap Holdings and the other Guarantors) to incur additional indebtedness; (ii) require that our Company maintain, on a consolidated basis, quarterly compliance with the applicable consolidated recourse indebtedness to equity ratio of our Company and consolidated indebtedness to equity ratio of our Company and specified ratios of our Company's stockholders' equity to aggregate principal amount of the outstanding Senior Secured Notes and our Company's consolidated unencumbered assets to aggregate principal amount of the outstanding Senior Secured Notes; (iii) limit the ability of ReadyCap Holdings and ReadyCap Commercial to pay

dividends or distributions on, or redeem or repurchase, the capital stock of ReadyCap Holdings or ReadyCap Commercial; (iv) limit (1) ReadyCap's Holdings ability to create or incur any lien on the collateral and (2) unless the Senior Secured Notes are equally and ratably secured, (a) ReadyCap's Holdings ability to create or incur any lien on the capital stock of its wholly-owned subsidiary, ReadyCap Lending and (b) ReadyCap's Holdings ability to permit ReadyCap Lending to create or incur any lien on its assets to secure indebtedness of its affiliates other than its subsidiaries or any securitization entity; and (v) limit ReadyCap Holding's and the Guarantors' ability to consolidate, merge or transfer all or substantially all of ReadyCap' Holdings and the Guarantors' respective properties and assets. The First Supplemental Indenture also requires that our Company ensure that the Replaceable Collateral Value (as defined therein) is not less than the aggregate principal amount of the Senior Secured Notes outstanding as of the last day of each of our Company's fiscal quarters.

As of December 31, 2020, we were in compliance with all covenants with respect to the Senior Secured Notes.

Securitization transactions

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

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

Deal Name	Collateral Asset Class	Issuance	Active / Collapsed	Bonds Issued (in $ millions)
Trusts (Firm sponsored)				
Waterfall Victoria Mortgage Trust 2011-1 (SBC1)	SBC Acquired loans	February 2011	Collapsed	$ 40.5
Waterfall Victoria Mortgage Trust 2011-3 (SBC3)	SBC Acquired loans	October 2011	Collapsed	143.4
Sutherland Commercial Mortgage Trust 2015-4 (SBC4)	SBC Acquired loans	August 2015	Collapsed	125.4
Sutherland Commercial Mortgage Trust 2018 (SBC7)	SBC Acquired loans	November 2018	Active	217.0
ReadyCap Lending Small Business Trust 2015-1 (RCLT 2015-1)	Acquired SBA 7(a) loans	June 2015	Collapsed	189.5
ReadyCap Lending Small Business Loan Trust 2019-2 (RCLT 2019-2)	Originated SBA 7(a) loans, Acquired SBA 7(a) loans	December 2019	Active	131.0
Real Estate Mortgage Investment Conduits (REMICs)				
ReadyCap Commercial Mortgage Trust 2014-1 (RCMT 2014-1)	SBC Originated conventional	September 2014	Active	$ 181.7
ReadyCap Commercial Mortgage Trust 2015-2 (RCMT 2015-2)	SBC Originated conventional	November 2015	Active	218.8
ReadyCap Commercial Mortgage Trust 2016-3 (RCMT 2016-3)	SBC Originated conventional	November 2016	Active	162.1
ReadyCap Commercial Mortgage Trust 2018-4 (RCMT 2018-4)	SBC Originated conventional	March 2018	Active	165.0
Ready Capital Mortgage Trust 2019-5 (RCMT 2019-5)	SBC Originated conventional	January 2019	Active	355.8
Ready Capital Mortgage Trust 2019-6 (RCMT 2019-6)	SBC Originated conventional	November 2019	Active	430.7
Waterfall Victoria Mortgage Trust 2011-2 (SBC2)	SBC Acquired loans	March 2011	Active	97.6
Sutherland Commercial Mortgage Trust 2018 (SBC6)	SBC Acquired loans	August 2017	Active	154.9
Sutherland Commercial Mortgage Trust 2019 (SBC8)	SBC Acquired loans	June 2019	Active	306.5
Sutherland Commercial Mortgage Trust 2020 (SBC9)	SBC Acquired loans	June 2020	Active	203.6
Collateralized Loan Obligations (CLOs)				
Ready Capital Mortgage Financing 2017– FL1	SBC Originated transitional	August 2017	Collapsed	$ 198.8
Ready Capital Mortgage Financing 2018 – FL2	SBC Originated transitional	June 2018	Active	217.1
Ready Capital Mortgage Financing 2019 – FL3	SBC Originated transitional	April 2019	Active	320.2
Ready Capital Mortgage Financing 2020 – FL4	SBC Originated transitional	June 2020	Active	405.3
Trusts (Non-firm sponsored)				
Freddie Mac Small Balance Mortgage Trust 2016-SB11	Originated agency multi-family	January 2016	Active	$ 110.0
Freddie Mac Small Balance Mortgage Trust 2016-SB18	Originated agency multi-family	July 2016	Active	118.0
Freddie Mac Small Balance Mortgage Trust 2017-SB33	Originated agency multi-family	June 2017	Active	197.9
Freddie Mac Small Balance Mortgage Trust 2018-SB45	Originated agency multi-family	January 2018	Active	362.0
Freddie Mac Small Balance Mortgage Trust 2018-SB52	Originated agency multi-family	September 2018	Active	505.0
Freddie Mac Small Balance Mortgage Trust 2018-SB56	Originated agency multi-family	December 2018	Active	507.3
Key Commercial Mortgage Trust 2020-S3[(1)]	SBC Originated conventional	September 2020	Active	263.2

[(1)] Contributed portion of assets into trust

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

Contractual Obligations and Off-Balance Sheet Arrangements

The following table provides a summary of our contractual obligations as of December 31, 2020:

(in thousands)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Borrowings under credit facilities	$ 542,950	$ 369,121	$ 151,218	$ —	$ 22,611
Borrowings under repurchase agreements	827,569	579,953	247,616	—	—
Guaranteed loan financing	401,705	395	3,760	7,118	390,432
Senior secured notes	180,000	—	180,000	—	—
Convertible notes	115,000	—	—	115,000	—
Corporate debt	154,250	—	50,000	—	104,250
Loan funding commitments	293,198	90,000	203,198	—	—
Future operating lease commitments	5,757	760	4,602	395	—
Total	**$ 2,520,429**	**$ 1,040,229**	**$ 840,394**	**$ 122,513**	**$ 517,293**

The table above does not include amounts due under our management agreement or derivative agreements as those contracts do not have fixed and determinable payments. As of the date of this annual report on Form 10-K, we had no off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

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

Allowance for credit losses

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

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

In connection with the Company's adoption of ASU 2016-13 on January 1, 2020, the Company implemented new processes including the utilization of loan loss forecasting models, updates to the Company's reserve policy documentation, changes to internal reporting processes and related internal controls. The Company has implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its loan portfolio. The CECL forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan database with historical loan losses from 1998 to 2019 and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. The Company might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

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

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

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

Significant judgment is required when evaluating loans for impairment; therefore, actual results over time could be materially different. Refer to "Notes to Consolidated Financial Statements, Note 6 – Loans and Allowance for Credit Losses" included in Item 8, "Financial Statements and Supplementary Data," in this annual report on Form 10-K for results of our loan impairment evaluation.

Valuation of financial assets and liabilities carried at fair value

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

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

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

Servicing rights impairment

Servicing rights, at amortized cost, are initially recorded at fair value and subsequently carried at amortized cost. We have elected the fair value option on our residential mortgage servicing rights, which are not subject to impairment.

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

Significant judgment is required when evaluating servicing rights for impairment; therefore, actual results over time could be materially different. Refer to "Notes to Consolidated Financial Statements, Note 9 – Servicing Rights" included in Item 8, "Financial Statements and Supplementary Data," in this annual report on Form 10-K for a more complete discussion of our critical accounting estimates as they pertain to servicing rights impairment.

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

Inflation. Virtually all of our assets and liabilities are and will be interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our consolidated financial statements are prepared in accordance with U.S. GAAP and our activities and balance sheet shall be measured with reference to historical cost and/or fair market value without considering inflation.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we enter into transactions in various financial instruments that expose us to various types of risk, both on and off-balance sheet, which are associated with such financial instruments and markets for which we invest. These financial instruments expose us to varying degrees of market risk, credit risk, interest rate risk, liquidity risk, off-balance sheet risk and prepayment risk. Many of these risks have been augmented due to the continuing economic disruptions caused by the COVID-19 pandemic which remain uncertain and difficult to predict. We continue to monitor the impact of the pandemic and the effect of these risks in our operations.

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

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

The COVID-19 pandemic has adversely impacted the commercial real estate markets, causing reduced occupancy, requests from tenants for rent deferral or abatement, and delays in property renovations currently planned or underway. These negative conditions may persist into the future and impair borrower's ability to pay principal and interest due under our loan agreements. We maintain robust asset management relationships with our borrowers and have leveraged these relationships to address the potential impact of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality and retail assets. Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. Accordingly, we have discussed with our borrowers potential near-term defensive loan modifications, which could include repurposing of reserves, temporary deferrals of interest, or performance test or covenant waivers on loans collateralized by assets directly impacted by the COVID-19 pandemic, and which would typically be coupled with an additional equity commitment and/or guaranty from sponsors. As of December 31, 2020, approximately 2.0% of the loans in our commercial real estate portfolio are in forbearance plans. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain investments.

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

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

Additionally, non-performing SBC loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing SBC loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates. A rising rate environment often means an improving economy, which might have a positive impact on commercial property values, resulting in increased gains on the disposition of these assets. While rising rates could make it more costly to refinance these assets, we expect that the impact of this would be mitigated by higher property values. Moreover, small business owners are generally less interest rate sensitive than large commercial property owners, and interest cost is a relatively small component of their operating expenses. An improving economy will likely spur increased property values and sales, thereby increasing the need for SBC financing.

The following table projects the impact on our interest income and expense for the twelve month period following December 31, 2020, assuming an immediate increase or decrease of 25, 50, 75 and 100 basis points in LIBOR:

	12-month pretax net interest income sensitivity profiles							
	Instantaneous change in rates							
(in thousands)	**25 basis point increase**	**50 basis point increase**	**75 basis point increase**	**100 basis point increase**	**25 basis point decrease**	**50 basis point decrease**	**75 basis point decrease**	**100 basis point decrease**
Assets:								
Loans held for investment	$ 4,095	$ 8,362	$ 12,631	$ 16,903	$ (1,324)	$ (2,392)	$ (3,440)	$ (4,468)
Interest rate swap hedges	770	1,541	2,311	3,081	(770)	(1,541)	(2,311)	(3,081)
Total	**$ 4,865**	**$ 9,903**	**$ 14,942**	**$ 19,984**	**$ (2,094)**	**$ (3,933)**	**$ (5,751)**	**$ (7,549)**
Liabilities:								
Recourse debt	$ (2,640)	$ (5,281)	$ (7,997)	$ (10,729)	$ 1,743	$ 1,844	$ 1,945	$ 2,047
Non-recourse debt	(1,938)	(3,875)	(5,813)	(7,751)	1,300	1,734	2,169	2,603
Total	**$ (4,578)**	**$ (9,156)**	**$ (13,810)**	**$ (18,480)**	**$ 3,043**	**$ 3,578**	**$ 4,114**	**$ 4,650**
Total Net Impact to Net Interest Income (Expense)	**$ 287**	**$ 747**	**$ 1,132**	**$ 1,504**	**$ 949**	**$ (355)**	**$ (1,637)**	**$ (2,899)**

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

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

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

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

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

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

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

We are exposed to changing interest rates and market conditions, which affects cash flows associated with borrowings. We enter into derivative instruments, such as interest rate swaps and credit default swaps (“CDS”), to mitigate these risks. Interest rate swaps are used to mitigate the exposure to changes in interest rates and involve the receipt of variable-rate interest amounts from a counterparty in exchange for us making payments based on a fixed interest rate over the life of the swap contract. CDSs are executed in order to mitigate the risk of deterioration in the current credit health of the commercial mortgage market.

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

The following table summarizes the Company's exposure to its repurchase agreements and credit facilities counterparties at December 31, 2020:

(in thousands)	**Borrowings under repurchase agreements and credit facilities [1]**	**Assets pledged on borrowings under repurchase agreements and credit facilities**	**Net Exposure**	**Exposure as a Percentage of Total Assets**
Total Counterparty Exposure	$ 1,370,519	$ 1,767,319	$ 396,800	7.4 %

(1) The exposure reflects the difference between (a) the amount loaned to the Company through repurchase agreements and credit facilities, including interest payable, and (b) the cash and the fair value of the assets pledged by the Company as collateral, including accrued interest receivable on such assets

The following table presents information with respect to any counterparty for repurchase agreements for which our Company had greater than 5% of stockholders' equity at risk in the aggregate at December 31, 2020:

(in thousands)	**Counterparty Rating [1]**	**Amount of Risk [2]**	**Weighted Average Months to Maturity for Agreement**	**Percentage of Stockholders' Equity**
JPMorgan Chase Bank, N.A.	A+ / Aa2	$ 169,359	19	20.3%
Deutsche Bank AG	BBB+ / A3	$ 79,282	11	9.5%

(1) The counterparty rating presented is the long-term issuer credit rating as rated at December 31, 2020 by S&P and Moody's, respectively.

(2) The amount at risk reflects the difference between (a) the amount loaned to the Company through repurchase agreements, including interest payable, and (b) the cash and the fair value of the assets pledged by the Company as collateral, including accrued interest receivable on such securities

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

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

Inflation risk. Most of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance significantly more than inflation does. Changes in interest rates may correlate with inflation rates and/or changes in inflation rates. Our consolidated financial statements are prepared in accordance with U.S. GAAP and our distributions are determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair value without considering inflation.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Ready Capital Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ready Capital Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 8 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Servicing rights – Residential (carried at fair value) - Refer to Notes 3 and 9 to the financial statements

Critical Audit Matter Description
The Company accounts for residential mortgage servicing rights (“MSRs”) totaling $76.8 million at fair value and classifies its MSRs as “Level 3” fair value assets. For these assets, the Company uses an independent third-party valuation expert to assist management in estimating the fair value. The third-party valuation expert uses a discounted cash flow approach which consists of projecting servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key assumptions used in the estimation of the fair value of MSRs include prepayment rates, discount rates, and cost of servicing. A change in the discount rate, prepayment rate or cost of servicing can have a significant effect on the fair value of MSRs which is recorded in Net unrealized gain (loss) on financial instruments.

We identified the valuation of MSRs as a critical audit matter because of the significant judgments made by management in determining the discount rate, prepayment rate, and cost of servicing assumptions. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management’s estimate and assumptions related to selection of the discount rate, prepayment rate and cost of servicing.

How the Critical Audit Matter Was Addressed in the Audit
Our audit procedures related to the discount rate, prepayment rate, and cost of servicing assumptions included the following, among others:

- We tested the operating effectiveness of internal controls over determining the fair value, including those over the determination of the discount rate, prepayment rate and cost of servicing assumptions.
- We tested the operating effectiveness of internal controls over the third-party valuation expert by evaluating management's process for monitoring the competence, capabilities, and objectivity of the valuation expert as well as evaluating the relevance, completeness, and accuracy of the source data used by the valuation expert.
- We evaluated management's process for obtaining an understanding of the work of the valuation expert, including consideration of the relevance and reasonableness of the assumptions, methods, and models used by the valuation expert.
- We evaluated the reasonableness of management's discount rate, prepayment rate and cost of service assumptions of the underlying mortgage loans, by comparing historical assumptions to current assumptions and testing the source data used by the valuation expert.
- With the assistance of our fair value specialists, we evaluated the reasonableness of management's discount rate, prepayment rate and cost of servicing assumptions by comparing them to independent market information. We also tested the mathematical accuracy of the calculation.

Allowance for loan losses - Refer to Notes 3 and 6 to the financial statements

Critical Audit Matter Description
The general allowance for loan losses is intended to provide for credit losses of loans that are not impaired within the loans held-for-investment portfolio and is reviewed quarterly for adequacy considering credit quality indicators, including probable and historical losses, collateral values, loan-to-value ratio and macroeconomic conditions. The allowance for loan losses is increased through provisions for loan losses charged to earnings and reduced by charge-offs, net of recoveries. Significant inputs to the Company's forecasting methods include (i) key loan-specific inputs such as LTV, vintage year, loan-term, underlying property type, occupancy, geographic location, and others, and (ii) a macro-economic forecast, including unemployment rates, interest rates, commercial real estate prices, and others. Significant judgments are required in determining the allowance, including making assumptions regarding the macroeconomic forecasts, default rate, loss severity rate, and collateral value.

Given the judgment necessary to estimate internal and external factors that may affect collectability of the loan portfolio, including macroeconomic conditions, default rates, loss severity rates, and the fair value of collateral, auditing the estimated allowance for loan losses involved especially complex and subjective judgment, including the need to involve our specialists.

How the Critical Audit Matter Was Addressed in the Audit
Our audit procedures related to the macroeconomic conditions, default rates, loss severity rates, and fair value of collateral included the following, among others:

- We tested the operating effectiveness of internal controls over the allowance for loan losses, including those over determining macroeconomic conditions, default rates, loss severity rates, and underlying collateral values.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the macroeconomic conditions, default rates, loss severity rates, and underlying collateral values, for consistency with external data from other sources.
- We tested the macroeconomic conditions, default rate, loss severity data, and underlying collateral values, which were used to develop the allowance, to determine that the information used in the analysis was relevant, accurate and complete. We also tested the mathematical accuracy of the calculation.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 15, 2021

We have served as the Company's auditor since 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Ready Capital Corporation:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Ready Capital Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 15, 2021 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 15, 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

READY CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS

(In Thousands)	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 138,975	$ 67,928
Restricted cash	47,697	51,728
Loans, net (including $88,726 and $20,212 held at fair value)	1,625,555	1,727,984
Loans, held for sale, at fair value	340,288	188,077
Mortgage backed securities, at fair value	88,011	92,466
Loans eligible for repurchase from Ginnie Mae	250,132	77,953
Investment in unconsolidated joint ventures	79,509	58,850
Purchased future receivables, net	17,308	43,265
Derivative instruments	16,363	2,814
Servicing rights (including $76,840 and $91,174 held at fair value)	114,663	121,969
Real estate, held for sale	45,348	58,573
Other assets	89,503	106,925
Assets of consolidated VIEs	2,518,743	2,378,486
Total Assets	**$ 5,372,095**	**$ 4,977,018**
Liabilities		
Secured borrowings	1,370,519	1,189,392
Securitized debt obligations of consolidated VIEs, net	1,905,749	1,815,154
Convertible notes, net	112,129	111,040
Senior secured notes, net	179,659	179,289
Corporate debt, net	150,989	149,986
Guaranteed loan financing	401,705	485,461
Liabilities for loans eligible for repurchase from Ginnie Mae	250,132	77,953
Derivative instruments	11,604	5,250
Dividends payable	19,746	21,302
Accounts payable and other accrued liabilities	135,655	97,407
Total Liabilities	**$ 4,537,887**	**$ 4,132,234**
Stockholders' Equity		
Common stock, $0.0001 par value, 500,000,000 shares authorized, 54,368,999 and 51,127,326 shares issued and outstanding, respectively	5	5
Additional paid-in capital	849,541	822,837
Retained earnings (deficit)	(24,203)	8,746
Accumulated other comprehensive loss	(9,947)	(6,176)
Total Ready Capital Corporation equity	815,396	825,412
Non-controlling interests	18,812	19,372
Total Stockholders' Equity	**$ 834,208**	**$ 844,784**
Total Liabilities and Stockholders' Equity	**$ 5,372,095**	**$ 4,977,018**

See Notes To Consolidated Financial Statements

READY CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, except share data)	Year Ended December 31, 2020	2019	2018
Interest income	$ 258,636	$ 229,916	$ 169,499
Interest expense	(175,481)	(151,880)	(109,238)
Net interest income before provision for loan losses	**$ 83,155**	**$ 78,036**	**$ 60,261**
(Provision for) recovery of loan losses	(34,726)	(3,684)	(1,701)
Net interest income after (provision for) recovery of loan losses	**$ 48,429**	**$ 74,352**	**$ 58,560**
Non-interest income			
Residential mortgage banking activities	$ 252,720	$ 83,539	$ 59,852
Net realized gain on financial instruments and real estate owned	31,913	28,958	38,409
Net unrealized gain (loss) on financial instruments	(48,101)	(18,790)	4,853
Servicing income, net of amortization and impairment of $5,975, $5,811 and $5,509	38,594	30,665	27,075
Income on purchased future receivables, net of allowance for doubtful accounts of $11,769 and $5,082	15,711	2,362	—
Income (loss) on unconsolidated joint ventures	2,404	6,088	12,148
Other income	41,516	11,078	5,586
Gain on bargain purchase	—	30,728	—
Total non-interest income	**$ 334,757**	**$ 174,628**	**$ 147,923**
Non-interest expense			
Employee compensation and benefits	$ (91,920)	$ (51,237)	$ (56,602)
Allocated employee compensation and benefits from related party	(7,000)	(5,473)	(4,200)
Variable expenses on residential mortgage banking activities	(114,510)	(51,760)	(22,228)
Professional fees	(13,360)	(7,434)	(6,999)
Management fees – related party	(10,682)	(9,578)	(8,176)
Incentive fees – related party	(5,973)	(106)	(1,143)
Loan servicing expense	(30,856)	(17,976)	(15,545)
Merger related expenses	(63)	(7,750)	—
Other operating expenses	(54,369)	(33,162)	(28,747)
Total non-interest expense	**$ (328,733)**	**$ (184,476)**	**$ (143,640)**
Income (loss) before provision for income taxes	$ 54,453	$ 64,504	$ 62,843
Income tax (provision) benefit	(8,384)	10,552	(1,386)
Net income (loss)	**$ 46,069**	**$ 75,056**	**$ 61,457**
Less: Net income (loss) attributable to non-controlling interest	1,199	2,088	2,199
Net income (loss) attributable to Ready Capital Corporation	**$ 44,870**	**$ 72,968**	**$ 59,258**
Earnings (loss) per common share - basic	**$ 0.81**	**$ 1.72**	**$ 1.84**
Earnings (loss) per common share - diluted	**$ 0.81**	**$ 1.72**	**$ 1.84**
Weighted-average shares outstanding			
Basic	53,736,523	42,011,750	32,085,975
Diluted	53,818,378	42,047,648	32,102,184
Dividends declared per share of common stock	**$ 1.30**	**$ 1.60**	**$ 1.57**

See Notes To Consolidated Financial Statements

READY CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(In Thousands)	**2020**	**2019**	**2018**
Net Income (loss)	$ 46,069	$ 75,056	$ 61,457
Other comprehensive income (loss) - net change by component			
Net change in hedging derivatives (cash flow hedges)	$ (1,526)	$ (5,724)	$ (954)
Foreign currency translation adjustment	(2,326)	289	—
Other comprehensive income (loss)	**$ (3,852)**	**$ (5,435)**	**$ (954)**
Comprehensive income (loss)	**$ 42,217**	**$ 69,621**	**$ 60,503**
Less: Comprehensive income (loss) attributable to non-controlling interests	1,118	1,907	2,167
Comprehensive income (loss) attributable to Ready Capital Corporation	**$ 41,099**	**$ 67,714**	**$ 58,336**

See Notes To Consolidated Financial Statements

READY CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands, except share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Ready Capital Corporation Equity	Non-Controlling Interest	Total
Balance at January 1, 2018	31,996,440	$ 3	$ 539,455	$ (3,385)	$ —	$ 536,073	$ 19,394	$ 555,467
Dividend declared on common stock ($1.57 per share)	—	—	—	(50,601)	—	(50,601)	—	(50,601)
Dividend declared on OP units	—	—	—	—	—	—	(1,766)	(1,766)
Equity issuances	5,000	—	86	—	—	86	—	86
Offering costs	—	—	(103)	—	—	(103)	—	(103)
Contributions, net	—	—	—	—	—	—	38	38
Equity component of 2017 convertible note issuance	—	—	(322)	—	—	(322)	(12)	(334)
Stock-based compensation	48,617	—	447	—	—	447	—	447
Conversion of OP units into common stock	33,658	—	577	—	—	577	(577)	—
Manager incentive fee paid in stock	21,397	—	338	—	—	338	—	338
Net income	—	—	—	59,258	—	59,258	2,199	61,457
Other comprehensive income (loss)	—	—	—	—	(922)	(922)	(32)	(954)
Balance at December 31, 2018	**32,105,112**	**$ 3**	**$ 540,478**	**$ 5,272**	**$ (922)**	**$ 544,831**	**$ 19,244**	**$ 564,075**
Dividend declared on common stock ($1.60 per share)	—	—	—	(69,494)	—	(69,494)	—	(69,494)
Dividend declared on OP units	—	—	—	—	—	—	(1,788)	(1,788)
Shares issued pursuant to merger transactions	12,882,323	1	189,610	—	—	189,611	—	189,611
Equity issuances	6,000,000	1	91,799	—	—	91,800	—	91,800
Offering costs	—	—	(408)	—	—	(408)	(2)	(410)
Contributions, net	—	—	—	—	—	—	20	20
Equity component of 2017 convertible note issuance	—	—	(351)	—	—	(351)	(9)	(360)
Stock-based compensation	124,952	—	1,476	—	—	1,476	—	1,476
Manager incentive fee paid in stock	14,939	—	233	—	—	233	—	233
Net income	—	—	—	72,968	—	72,968	2,088	75,056
Other comprehensive income (loss)	—	—	—	—	(5,254)	(5,254)	(181)	(5,435)
Balance at December 31, 2019	**51,127,326**	**$ 5**	**$ 822,837**	**$ 8,746**	**$ (6,176)**	**$ 825,412**	**$ 19,372**	**$ 844,784**
Cumulative-effect adjustment upon adoption of ASU 2016-13, net of taxes (Note 4)	—	—	—	(6,599)	—	(6,599)	(155)	(6,754)
Dividend declared on common stock ($1.30 per share)	—	—	—	(71,220)	—	(71,220)	—	(71,220)
Dividend declared on OP units	—	—	—	—	—	—	(1,504)	(1,504)
Stock issued in connection with stock dividend	2,764,487	—	17,033	—	—	17,033	362	17,395
Equity issuances	900,000	—	13,410	—	—	13,410	—	13,410
Offering costs	—	—	(49)	—	—	(49)	(1)	(50)
Distributions, net	—	—	—	—	—	—	(250)	(250)
Equity component of 2017 convertible note issuance	—	—	(379)	—	—	(379)	(8)	(387)
Stock-based compensation	357,945	—	5,399	—	—	5,399	—	5,399
Manager incentive fee paid in stock	212,844	—	1,806	—	—	1,806	—	1,806
Share repurchases	(993,603)	—	(10,516)	—	—	(10,516)	—	(10,516)
Sale of subsidiary interest to non-controlling interest	—	—	—	—	—	—	(122)	(122)
Net income	—	—	—	44,870	—	44,870	1,199	46,069
Other comprehensive income (loss)	—	—	—	—	(3,771)	(3,771)	(81)	(3,852)
Balance at December 31, 2020	**54,368,999**	**$ 5**	**$ 849,541**	**$ (24,203)**	**$ (9,947)**	**$ 815,396**	**$ 18,812**	**$ 834,208**

See Notes To Consolidated Financial Statements

READY CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(In Thousands)	For the Year Ended December 31, 2020	2019	2018
Cash Flows From Operating Activities:			
Net income	$ 46,069	$ 75,056	$ 61,457
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Amortization of premiums, discounts, and debt issuance costs, net	33,550	14,409	15,470
Provision for (Recovery of) loan losses	34,726	3,684	1,701
Impairment loss on real estate, held for sale	3,520	1,317	1,086
Change in repair and denial reserve	4,378	(345)	(163)
Net settlement of derivative instruments	(10,014)	(6,219)	4,272
Purchase of loans, held for sale, at fair value	—	(9,149)	(17,481)
Origination of loans, held for sale, at fair value	(5,076,936)	(2,621,324)	(2,407,492)
Proceeds from disposition and principal payments of loans, held for sale, at fair value	5,152,861	2,628,521	2,586,724
Realized (gains) losses, net	(263,332)	(101,794)	(88,890)
Unrealized (gains) losses, net	52,244	18,790	(4,853)
Gain on bargain purchase	—	(30,728)	—
Net (income) loss of unconsolidated joint ventures, net of distributions	(1,893)	(5,716)	1,047
Foreign currency (gains) losses, net	(4,139)	—	—
Payoff of purchased future receivables, net of originations	14,188	(8,807)	—
Allowance for doubtful accounts on purchased future receivables	11,769	5,082	—
Net changes in operating assets and liabilities			
Assets of consolidated VIEs (excluding loans, net), accrued interest and due from servicers	11,859	(21,265)	(12,088)
Receivable from third parties	(10)	7,556	(2,132)
Other assets	16,675	(26,286)	1,448
Accounts payable and other accrued liabilities	43,378	24,821	191
Net cash provided by (used for) operating activities	**$ 68,893**	**$ (52,397)**	**$ 140,297**
Cash Flow From Investing Activities:			
Origination of loans	(774,581)	(1,307,143)	(934,607)
Purchase of loans	(242,532)	(739,002)	(369,418)
Purchase of mortgage backed securities, at fair value	(14,216)	(9,593)	(73,305)
Purchase of real estate	(329)	(117)	(1,570)
Funding of unconsolidated joint ventures	(23,707)	(26,655)	—
Purchase of servicing rights	—	(894)	(362)
Proceeds on unconsolidated joint venture in excess of earnings recognized	4,941	15,578	20,884
Payment of liability under participation agreements, net of proceeds received	—	—	(555)
Proceeds from disposition and principal payment of loans	961,235	826,702	746,162
Proceeds from sale and principal payment of mortgage backed securities, at fair value	12,486	14,354	30,381
Proceeds from sale of real estate	17,261	18,983	1,631
Cash paid in connection with Knight Merger, net of cash acquired	—	(15,827)	—
Cash acquired in connection with the ORM Merger	—	10,822	—
Net cash provided by (used for) investing activities	**$ (59,442)**	**$ (1,212,792)**	**$ (580,759)**
Cash Flows From Financing Activities:			
Proceeds from secured borrowings	6,870,576	5,398,657	3,603,933
Payment of secured borrowings	(6,692,145)	(5,087,424)	(3,406,779)
Proceeds from issuance of securitized debt obligations of consolidated VIEs	495,220	1,395,518	607,837
Payment of securitized debt obligations of consolidated VIEs	(441,212)	(477,205)	(297,774)
Payment of offering costs	(50)	104,687	91,328
Payment of guaranteed loan financing	(102,155)	(34,704)	(74,980)
Payment of deferred financing costs	(12,820)	(28,207)	(18,831)
Equity issuance, net of offering costs	13,410	91,390	86
Payment of contingent consideration	—	(1,207)	(8,967)
Redemption of preferred stock	—	—	(103)
Distributions from non-controlling interests, net	(250)	20	45
Sale of subsidiary interest to non-controlling interests	(122)	—	—
Dividend payments	(56,885)	(63,326)	(51,317)
Share repurchase program	(10,516)	—	—
Net cash provided by (used for) financing activities	**63,051**	**1,298,199**	**444,478**
Net increase (decrease) in cash, cash equivalents, and restricted cash	72,502	33,010	4,016
Cash, cash equivalents, and restricted cash, beginning of period	127,980	94,970	90,954
Cash, cash equivalents, and restricted cash, end of period	**$ 200,482**	**$ 127,980**	**$ 94,970**
Supplemental disclosures of operating cash flow			
Cash paid for interest	$ 156,262	$ 126,188	$ 95,946
Cash paid (received) for income taxes	$ (8,482)	$ (2,661)	$ 898
Stock-based compensation	$ 5,299	$ 1,476	$ 447
Supplemental disclosure of non-cash investing activities			
Loans transferred from loans, held for sale, at fair value to loans, net	$ 714	$ 1,262	$ 644
Loans transferred from loans, net to loans, held for sale, at fair value	$ —	$ —	$ 1,147
Consolidation of assets in securitization trusts	$ —	$ 463,177	$ —
Loans transferred to real estate owned	$ 11,339	$ —	$ —
Deconsolidation of assets in securitization trusts	$ —	$ 177,815	$ —
Supplemental disclosure of non-cash financing activities			
Dividend paid in stock	$ 17,395	$ —	$ —
Common stock issued in connection with merger transactions	$ —	$ 189,611	$ —
Consolidation of borrowings in securitization trusts	$ —	$ 463,177	$ —
Deconsolidation of borrowings in securitization trusts	$ —	$ 177,815	$ —
Share-based component of incentive fees	$ 1,806	$ 233	$ 338
Cash and restricted cash reconciliation			
Cash and cash equivalents	$ 138,975	$ 67,928	$ 54,406
Restricted cash	47,697	51,728	28,921
Cash, cash equivalents, and restricted cash in assets of consolidated VIEs	13,810	8,324	11,643
Cash, cash equivalents, and restricted cash at end of period	**$ 200,482**	**$ 127,980**	**$ 94,970**

See Notes To Consolidated Financial Statements

READY CAPITAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

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

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

Sutherland Partners, LP (the "Operating Partnership") holds substantially all of our assets and conducts substantially all of our business. As of both December 31, 2020 and 2019, the Company owned approximately 97.9% of the Operating Partnership. The Company, as sole general partner of the Operating Partnership, has responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of the Operating Partnership, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Therefore, the Company consolidates the Operating Partnership.

On March 29, 2019, the Company completed the acquisition of Owens Realty Mortgage, Inc. ("ORM"), through a merger of ORM with and into a wholly-owned subsidiary of the Company, in exchange for approximately 12.2 million shares of the Company's common stock ("ORM Merger"). In accordance with the Merger Agreement, the number of shares of the Company's common stock issued was based on an exchange ratio of 1.441 per share. The total purchase price for the merger of $179.3 million consists exclusively of the Company's common stock issued in exchange for shares of ORM common stock and cash paid in lieu of fractional shares of the Company's common stock, and was based on the $14.67 closing price of the Company's common stock on March 29, 2019. Upon the closing of the transaction, the Company's historical stockholders owned approximately 72% of the combined Company's stock, while historical ORM stockholders owned approximately 28% of the combined Company's stock.

The acquisition of ORM increased the Company's equity capitalization, supported continued growth of the Company's platform and execution of the Company's strategy, and provided the Company with improved scale, liquidity and capital alternatives, including additional borrowing capacity. Also, the stockholder base resulting from the acquisition of ORM enhanced the trading volume and liquidity for our stockholders. The combination of the Company and ORM created cost savings and efficiencies resulting from the allocation of operating expenses over a larger portfolio and has allowed the Company to harvest value from ORM's real property assets.

On October 25, 2019, the Company acquired Knight Capital. Knight Capital is a technology-driven platform that provides working capital to small and medium businesses across the U.S. Through its platform, Knight Capital supports business operations by offering a faster alternative to conventional bank funding. The total purchase price for the merger of $27.8 million consists of $17.5 million of cash and $10.3 million of Ready Capital common stock.

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

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP")—as prescribed by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

Note 3. Summary of Significant Accounting Policies

Use of estimates
The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation
The accompanying consolidated financial statements of the Company include the accounts and results of operations of the Operating Partnership and other consolidated subsidiaries and VIEs in which we are the primary beneficiary. The consolidated financial statements are prepared in accordance with ASC 810, *Consolidations.* Intercompany accounts and transactions have been eliminated.

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

Effective during the fourth quarter of 2018, the Company revised its presentation of residential mortgage banking activities and variable expenses on residential mortgage banking activities within our consolidated statements of income and Note 10 which no longer present these amounts as a net amount. Prior period numbers were revised to conform to the new presentation and to be consistent with our current period's presentation.

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

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

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

Loans, held-for-investment. Loans, held-for-investment are loans acquired from third parties ("acquired loans"), loans originated by the Company that we do not intend to sell, or securitized loans that were previously originated by us. Securitized loans remain on the Company's balance sheet because the securitization vehicles are consolidated under ASC 810. Acquired loans are recorded at cost at the time they are acquired and are accounted for under ASC 310-10, *Receivables.*

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

Recognition of interest income is suspended when any loans are placed on non-accrual status. Generally, all classes of loans are placed on non-accrual status when principal or interest has been delinquent for 90 days or when full collection is determined to be not probable. Interest income accrued, but not collected, at the date loans are placed on non-accrual status is reversed and subsequently recognized only to the extent it is received in cash or until the loan qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

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

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

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses*, and subsequent amendments ("ASU 2016-13"), which replaces the incurred loss methodology with an expected loss model known as the Current Expected Credit Loss ("CECL") model. CECL amends the previous credit loss model to reflect a reporting entity's current estimate of all expected credit losses, not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost. The allowance for credit losses required under ASU 2016-13 is deducted from the respective loans' amortized cost basis on our consolidated balance sheets. The guidance also requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.

In connection with the Company's adoption of ASU 2016-13 on January 1, 2020, the Company implemented new processes including the utilization of loan loss forecasting models, updates to the Company's reserve policy documentation, changes to internal reporting processes and related internal controls. The Company has implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its loan portfolio. The CECL forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan database with historical loan losses from 1998 to 2020 and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. The Company might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

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

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

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

Non-accrual loans. Non-accrual loans are the loans for which we are not accruing interest income. Non-accrual loans include PCD ("purchased credit-deteriorated") loans when principal or interest has been delinquent for 90 days or more and for which specific reserves are recorded.

Troubled debt restructurings. In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant concessions for a period of time to the borrower that we would not otherwise consider, the related loans are classified as troubled debt restructurings ("TDR"). These modified terms may include interest rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Other than resolutions such as foreclosures and sales, we may remove loans held-for-investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Generally, all loans modified in a TDR are placed or remain on non-accrual status at the time of the restructuring. However, certain accruing loans modified in a TDR that are current at the time of restructuring may remain on accrual status if payment in full under the restructured terms is expected.

Additionally, based on issued regulatory guidance provided by federal and state regulatory agencies, a loan modification is not considered TDR if: (1) made in response to the COVID-19 pandemic; (2) the borrower was current on payments at the time the modification program was implemented; (3) the modification was short-term (e.g., six months).

Loans, held for sale, at fair value

Loans, held for sale, at fair value are loans that are expected to be sold to third parties in the near term. Interest is recognized as interest income in the consolidated statements of income when earned and deemed collectible. For loans originated by our SBC originations and SBA originations segments, changes in fair value are recurring and are reported as net unrealized gain (loss) in the consolidated statements of income. For originated SBA loans, the guaranteed portion is held for sale, at fair value. For loans originated by GMFS, changes in fair value are reported as residential mortgage banking activities in the consolidated statements of income.

Mortgage backed securities, at fair value

The Company accounts for MBS as trading securities and carries them at fair value under ASC 320, *Investments-Debt and Equity Securities.* Our MBS portfolio is comprised of asset-backed securities collateralized by interest in or obligations backed by pools of SBC loans. Purchases and sales of MBS are recorded as of the trade date. Our MBS securities pledged as collateral against borrowings under repurchase agreements are included in mortgage backed securities, at fair value on our consolidated balance sheets.

MBS are recorded at fair value as determined by market prices provided by independent broker dealers or other independent valuation service providers. The fair values assigned to these investments are based upon available information and may not reflect amounts that may be realized. We generally intend to hold our investment in MBS to generate interest income; however, we have and may continue to sell certain of our investment securities as part of the overall management of our assets and liabilities and operating our business.

Loans eligible for repurchase from Ginnie Mae

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

Derivative instruments, at fair value

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we utilize derivative financial instruments, currently comprised of credit default swaps ("CDSs"), interest rate swaps, TBA agency securities and interest rate lock commitments ("IRLCs") as part of our risk management. The Company accounts for derivative instruments under ASC 815, *Derivatives and Hedges*. All derivatives are reported as either assets or liabilities in the consolidated balance sheets at the estimated fair value with the changes in the fair value recorded in earnings unless hedge accounting is elected. As of December 31, 2020, the Company has offset $5.0 million of cash collateral receivable against our gross derivative liability positions. As of December 31, 2020 and 2019, the cash collateral receivable for derivatives that has not been offset against our derivative liability positions is $10.5 million and $9.5 million, respectively, and is included in restricted cash in the consolidated balance sheets.

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

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

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

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

CDS. CDSs are contracts between two parties, a protection buyer who makes fixed periodic payments, and a protection seller, who collects the premium in exchange for making the protection buyer whole in the case of default. The fair value adjustments, are reported within net unrealized gain (loss) on financial instruments, while the related interest income or interest expense, are reported within net realized gain (loss) on financial instruments in the consolidated statements of income. CDSs are classified as Level 2 in the fair value hierarchy.

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

To qualify as an accounting hedge under the hedge accounting rules (versus an economic hedge where hedge accounting is not applied), a hedging relationship must be highly effective in offsetting the risk designated as being hedged. We use cash flow hedges to hedge the exposure to variability in cash flows from forecasted transactions, including the anticipated issuance of securitized debt obligations. ASC 815 requires that a forecasted transaction be identified as either: 1) a single transaction, or 2) a group of individual transactions that share the same risk exposures for which they are designated as being hedged. Hedges of forecasted transactions are considered cash flow hedges since the price is not fixed, hence involve variability of cash flows.

For qualifying cash flow hedges, the change in the fair value of the derivative (the hedging instrument) is recorded in other comprehensive income (loss) ("OCI"), and is reclassified out of OCI and into the consolidated statements of income when the hedged cash flows affect earnings. These amounts are recognized consistent with the classification of the hedged item, primarily interest expense (for hedges of interest rate risk). If the hedge relationship is terminated, then the value of the derivative recorded in accumulated other comprehensive income (loss) ("AOCI") is recognized in earnings when the cash flows that were hedged affect earnings, so long as the forecasted transaction remains probable of occurring. For hedge relationships that are discontinued because a forecasted transaction is probable of not occurring according to the original hedge forecast (including an additional two month window), any related derivative values recorded in AOCI are immediately recognized in earnings. Hedge accounting is generally terminated at the debt issuance date because we are no longer exposed to cash flow variability subsequent to issuance. Accumulated amounts recorded in AOCI at that date are then released to earnings in future periods to reflect the difference in 1) the fixed rates economically locked in at the inception of the hedge and 2) the actual fixed rates established in the debt instrument at issuance. Because of the effects of the time value of money, the actual interest expense reported in earnings will not equal the effective yield locked in at hedge inception multiplied by the par value. Similarly, this hedging strategy does not actually fix the interest payments associated with the forecasted debt issuance.

Servicing rights

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

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

The Company treats its servicing rights and residential mortgage servicing rights as two separate classes of servicing assets based on the class of the underlying mortgages and it treats these assets as two separate pools for risk management purposes. Servicing rights relating to the Company's servicing of loans guaranteed by the SBA under its Section 7(a) loan program and servicing rights related to the Freddie Mac program are accounted for under ASC 860, *Transfers and Servicing,* while the Company's residential mortgage servicing rights are accounted for under the fair value option under ASC 825, *Financial Instruments.*

Servicing rights – SBA and Freddie Mac. SBA and Freddie Mac servicing rights are initially recorded at fair value and subsequently carried at amortized cost. We capitalize the value expected to be realized from performing specified servicing activities for others. Servicing rights are amortized in proportion to and over the period of estimated servicing income, and are evaluated for potential impairment quarterly.

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

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

to materially comply with the covenants or conditions of our servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of servicing rights, we regularly evaluate the major assumptions and modeling techniques used in our estimate and review these assumptions against market comparables, if available. We monitor the actual performance of our servicing rights by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates.

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

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

Real estate, held for sale

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

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

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

Investment in unconsolidated joint ventures

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

Purchased future receivables

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

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

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

Intangible assets

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

Goodwill

The Company recorded goodwill in connection with the Company's acquisition of Knight Capital. Goodwill is not amortized, but rather, is tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment. Goodwill at December 31, 2020, represents the excess of the consideration transferred over the fair value of net assets acquired in connection with the acquisition of Knight Capital in October 2019.

In testing goodwill for impairment, the Company follows ASC 350, *Intangibles- Goodwill and Other,* which permits a qualitative assessment of whether it is more likely than not that the fair value of the reporting unit is less than its carrying value including goodwill. If the qualitative assessment determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, then no impairment is determined to exist for the reporting unit. However, if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, including goodwill, or we choose not to perform the qualitative assessment, then we compare the fair value of that reporting unit with its carrying value, including goodwill, in a quantitative assessment. If the carrying value of a reporting unit exceeds its fair value, goodwill is considered impaired with the impairment loss measured as the excess of the reporting unit's carrying value, including goodwill, over its fair value.

The qualitative assessment requires judgment to be applied in evaluating the effects of multiple factors, including actual and projected financial performance of the reporting unit, macroeconomic conditions, industry and market conditions and relevant entity specific events in determining whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. Based on our qualitative assessment during the fourth quarter of 2020, we believe the Company's Knight Capital reporting unit, to which goodwill was attributed, is not currently at risk of impairment.

Deferred financing costs

Costs incurred in connection with our secured borrowings are accounted for under ASC 340, *Other Assets and Deferred Costs*. Deferred costs are capitalized and amortized using the effective interest method over the respective financing term with such amortization reflected on our consolidated statements of income as a component of interest expense. Deferred financing costs may include legal, accounting and other related fees. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Pursuant to the adoption of ASU 2015-03, unamortized deferred financing costs related to securitizations and note issuances are presented in the consolidated balance sheets as a direct deduction from the associated liability.

Due from servicers

The loan-servicing activities of the Company's acquisitions and SBC originations reportable segments are performed primarily by third-party servicers. SBA loans originated by and held at RCL are internally serviced. Residential mortgage loans originated by and held at GMFS are both serviced by third-party servicers and internally serviced. The Company's servicers hold substantially all of the cash owned by the Company related to loan servicing activities. These amounts include principal and interest payments made by borrowers, net of advances and servicing fees. Cash is generally received within thirty days of recording the receivable.

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

Secured borrowings
Secured borrowings include borrowings under credit facilities, repurchase agreements, and promissory notes.

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

Borrowing under repurchase agreements. The Company accounts for borrowings under repurchase agreements under ASC 860, *Transfers and Servicing*. Investment securities financed under repurchase agreements are treated as collateralized borrowings, unless they meet sale treatment or are deemed to be linked transactions. Through December 31, 2020, none of our repurchase agreements have been accounted for as components of linked transactions. All securities financed through a repurchase agreement have remained on our consolidated balance sheets as an asset and cash received from the lender was recorded on our consolidated balance sheets as a liability. Interest paid and accrued in connection with our repurchase agreements is recorded as interest expense in the consolidated statements of income.

Securitized debt obligations of consolidated VIEs, net
Since 2011, we have engaged in several securitization transactions, which the Company accounts for under ASC 810. Securitization involves transferring assets to an SPE, or securitization trust, and this SPE issues debt instruments. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The consolidation of the SPE includes the issuance of senior securities to third parties, which are shown as securitized debt obligations of consolidated VIEs in the consolidated balance sheets.

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

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

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

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

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

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

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

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

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

Non-controlling interests
Non-controlling interests are presented on the consolidated balance sheets and the consolidated statements of income and represent direct investment in the Operating Partnership by Sutherland OP Holdings II, Ltd., which is managed by our Manager, and third parties.

Fair value option
ASC 825, *Financial Instruments*, provides a fair value option election that allows entities to make an election of fair value as the initial and subsequent measurement attribute for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis and must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to this guidance are required to be reported separately in our consolidated balance sheets from those instruments using another accounting method.

We have elected the fair value option for certain loans held-for-sale originated by the Company that we intend to sell in the near term. The fair value elections for loans, held for sale, at fair value originated by the Company were made due to the short-term nature of these instruments.

We have elected the fair value option for loans held-for-sale originated by GMFS that the Company intends to sell in the near term. We have elected the fair value option for certain residential mortgage servicing rights acquired as part of the merger transaction.

Share repurchase program

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

Earnings per share

We present both basic and diluted earnings per share ("EPS") amounts in our consolidated financial statements. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from our share-based compensation, consisting of unvested restricted stock units ("RSUs"), unvested restricted stock awards ("RSAs"), as well as "in-the-money" conversion options associated with our outstanding convertible senior notes. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

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

Income taxes

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

We provide for exposure in connection with uncertain tax positions, which requires significant judgment by management including determination, based on the weight of the tax law and available evidence, that it is more-likely-than-not that a tax result will be realized. Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense on our consolidated statements of income. As of December 31, 2020 and 2019, we accrued no taxes, interest or penalties related to uncertain tax positions. In addition, we do not anticipate a change in this position in the next 12 months.

Revenue recognition

Revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized through the following five-step process:

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

Since the guidance does not apply to revenue associated with financial instruments, including interest income, realized or unrealized gains on financial instruments, loan servicing fees, loan origination fees, among other revenue streams, the revenue recognition guidance does not have a material impact on our consolidated financial statements. In addition, revisions to existing accounting rules regarding the determination of whether a company is acting as a principal or agent in an arrangement and accounting for sales of nonfinancial assets where the seller has continuing involvement, did not materially impact the Company.

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

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

Origination income and expense. Origination income represents fees received for origination of either loans, held at fair value, loans, held for sale, at fair value, or loans, held-for-investment. For loans held, at fair value, and loans, held for sale, at fair value, pursuant to ASC 825, the Company reports origination fee income as revenue and fees charged and costs incurred as expenses. These fees and costs are excluded from the fair value. For originated loans, held-for-investment, under ASC 310-10, the Company defers these origination fees and costs at origination and amortizes them under the effective interest method over the life of the loan. Origination fees and expenses for loans, held at fair value and loans, held for sale, at fair value, are presented in the consolidated statements of income as components of other income and operating expenses. Origination fees for residential mortgage loans originated by GMFS are presented in the consolidated statements of income in residential mortgage banking activities, while origination expenses are presented within variable expenses on residential mortgage banking activities. The amortization of net origination fees and expenses for loans, held-for-investment are presented in the consolidated statements of income as a component of interest income.

Residential mortgage banking activities

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

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

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

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

Foreign currency transactions

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

Note 4. Recent accounting pronouncements

Financial Accounting Standards Board ("FASB") Standards

Standard	Summary of guidance	Effects on financial statements
ASU 2016-13, Financial Instruments —Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments *Issued June 2016*	Replaces existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost, which will reflect management's estimate of credit losses over the full remaining expected life of the financial assets and will consider expected future changes in macroeconomic conditions.	Adopted January 1, 2020.
	Eliminates existing guidance for PCI loans, and requires recognition of the accretable difference as an increase to the allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination, with a corresponding increase in the recorded investment of related loans.	The Company adopted ASU 2016-13 using the modified retrospective method for all loans carried at amortized cost. We recorded a $6.8 million cumulative-effect adjustment to the opening retained earnings (net of taxes) in our consolidated statement of equity as of January 1, 2020. The Company's total increase in the allowance for loan losses was $11.1 million, which included a $3.6 million allowance for loan loss balance sheet gross up, relating to purchased credit deteriorated loans.
	Requires inclusion of expected recoveries, limited to the cumulative amount of prior write-offs, when estimating the allowance for credit losses for in scope financial assets (including collateral dependent assets).	
	Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.	
ASU 2017-4, Intangibles — Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment *Issued January 2017*	Requires an impairment loss to be recognized when the estimated fair value of a reporting unit falls below its carrying value.	Adopted January 1, 2020.
	Eliminates the second condition in the current guidance that requires an impairment loss to be recognized only if the estimated implied fair value of the goodwill is below its carrying value.	Based on current impairment test results, the adoption did not have a material effect on the consolidated financial statements.
		The guidance may result in more frequent goodwill impairment losses in future periods due to the removal of the second condition.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement *Issued August 2018*	Provides guidance on increasing the transparency and comparability of the disclosure requirements for fair value measurement.	Adopted in the first quarter of 2020.
		The adoption did not have a material impact on our consolidated financial statements.
ASU 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting *Issued March 2020*	Provides optional exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The election to adopt may be made any time after the effective date of March 12, 2020 through December 31, 2022.	The Company has not adopted any of the optional expedients or exceptions as of the year-ended December 31, 2020 but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

Note 5. Business Combinations

Acquisition of Owens Realty Mortgage, Inc.

On November 7, 2018, the Company entered into an Agreement and Plan of Merger as amended, (the "Merger Agreement") with ORM, a specialty finance company that focused on the origination, investment, and management of commercial real estate loans. Pursuant to the Merger Agreement, the Company acquired ORM in a stock-for-stock transaction with an aggregate purchase price equal to 99.0% of ORM's book value. Upon the closing, each outstanding share of ORM's common stock was converted into the right to receive 1.441 shares of the Company common stock, based on a fixed exchange ratio.

On March 29, 2019, the Company completed the acquisition of ORM, through a merger of ORM with and into a wholly owned subsidiary of the Company, in exchange for approximately 12.2 million shares of the Company's common stock. The total purchase price for the merger of $179.3 million consisted exclusively of the Company's common stock issued in exchange for shares of ORM common stock and cash paid in lieu of fractional shares of the Company's common stock, and was based on the $14.67 closing price of the Company's common stock on March 29, 2019.

The consideration transferred was allocated to the assets acquired and liabilities assumed based on their respective fair values. The methodologies used and key assumptions made to estimate the fair value of the assets acquired and liabilities assumed are primarily based on future cash flows and discount rates. The following table summarizes the fair value of assets acquired and liabilities assumed from the merger:

(In Thousands)		March 29, 2019
Assets		
Cash and cash equivalents	$	10,822
Loans		130,449
Real estate, held for sale		67,973
Investment in unconsolidated joint ventures		8,619
Deferred tax assets		4,660
Accrued interest		1,209
Other		379
Total assets acquired	**$**	**224,111**
Liabilities		
Secured borrowings		12,713
Accounts payable and other accrued liabilities		1,000
Due to Manager		228
Deferred tax liabilities		123
Total liabilities assumed	**$**	**14,064**
Net assets acquired	**$**	**210,047**

For acquired loan receivables, the gross contractual unpaid principal acquired is $134.8 million and we expect to collect all contractual amounts.

The aggregate consideration transferred, net assets acquired, and the related bargain purchase gain was as follows:

Total consideration transferred (in thousands, except share and per share data)		
FV of net assets acquired	$	210,047
ORM shares outstanding at March 29, 2019		8,482,880
Exchange ratio	x	1.441
Shares issued		12,223,830
Market price as of March 29, 2019	$	14.67
Total consideration transferred based on value of shares issued	$	179,324
Bargain purchase gain	**$**	**30,728**

Based on the calculation, the Company has determined the transaction resulted in a bargain purchase gain, which is predominantly the result of changes in the market price of the Company's common stock between the determination date and the closing date of the transaction. This gain is reflected separately within the consolidated statements of income under gain on bargain purchase. Acquisition-related costs directly attributable to the ORM Merger, including legal, accounting, valuation, and other professional or consulting fees, totaling $6.2 million for the year ended December 31, 2019, respectively, were expensed as incurred and are reflected separately within the consolidated statements of income.

The following pro-forma income and earnings (unaudited) of the combined company are presented as if the merger had occurred on January 1, 2018:

(In Thousands)	For the year ended December 31, 2019	For the year ended December 31, 2018
Selected Financial Data		
Interest income	$ 232,706	$ 181,780
Interest expense	(152,428)	(111,371)
Provision for loan losses	(3,684)	(1,462)
Non-interest income	145,393	157,049
Non-interest expense	(180,140)	(155,704)
Income before provision for income taxes	41,847	70,292
Income tax benefit	10,545	(1,945)
Net income	**$ 52,392**	**$ 68,347**

Non-recurring pro-forma transaction costs directly attributable to the merger were $9.2 million for the year ended December 31, 2019, and have been deducted from the non-interest expense amount above. These costs included legal, accounting, valuation, and other professional or consulting fees directly attributable to the merger. The Company excluded the bargain purchase gain of $30.7 million from the amount above.

Acquisition of Knight Capital

On October 25, 2019, the Company acquired Knight Capital. Knight Capital is a technology-driven platform that provides working capital to small and medium businesses across the U.S. Through its platform, Knight Capital supports business operations by offering a faster alternative to conventional bank funding. The total purchase price for the merger of $27.8 million consists of $17.5 million of cash and $10.3 million of Ready Capital common stock.

The purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values. The following table summarizes the fair value of assets acquired and liabilities assumed from the merger:

(In Thousands)	October 25, 2019
Assets	
Cash and cash equivalents	$ 1,673
Purchased future receivables,	39,540
Prepaid expenses and other	1,265
Intangible assets	5,880
Total assets acquired	**$ 48,358**
Liabilities	
Secured borrowings	30,600
Accounts payable and other accrued liabilities	1,173
Total liabilities assumed	**$ 31,773**
Net assets acquired	**$ 16,585**

The aggregate consideration transferred, net assets acquired, and the related goodwill was as follows:

Total Consideration Transferred (in thousands)	
Cash consideration	$ 17,500
Common stock consideration	10,290
Total consideration transferred	**$ 27,790**
Net Tangible Assets	$ 10,705
Identified Intangible Assets	5,880
FV of net assets acquired	**$ 16,585**
Goodwill	**$ 11,205**

The acquired intangible assets are definite-lived assets consisting of technology, brokers network and trade name. The estimated fair values of the technology and brokers network were determined using the cost replacement method, and the fair value of the trade name was determined using the relief from royalty method. The estimated fair value of the intangible assets were primarily based on cost assumptions such as replacement costs, which management believes are reasonable.

The fair value of the intangible assets with definite lives is as follows:

(In Thousands)	Fair Value	Weighted Average Amortization Life
Internally developed software	$ 3,800	6 years
Broker network	1,200	4.5 years
Trade name	880	6 years
Total Intangible Assets	**$ 5,880**	**6 years**

Goodwill of $11.2 million was recognized in connection with the Company's acquisition of Knight Capital as the consideration paid exceeded the fair value of the net assets acquired. Acquisition-related costs directly attributable to the acquisition of Knight Capital, including legal, accounting, valuation, and other professional or consulting fees, totaling $1.5 million for the year ended December 31, 2019 were expensed as incurred and are reflected separately within the consolidated statements of income.

The following pro-forma income and earnings (unaudited) of the combined company are presented as if the merger had occurred on January 1, 2018:

(In Thousands)	For the year ended December 31, 2019	For the year ended December 31, 2018
Selected Financial Data		
Interest income	$ 229,916	$ 169,499
Interest expense	(151,880)	(109,238)
Provision for loan losses	(3,684)	(1,701)
Non-interest income	223,197	192,181
Non-interest expense	(229,648)	(201,454)
Income before provision for income taxes	67,901	49,287
Income tax benefit	10,552	(1,386)
Net income	**$ 78,453**	**$ 47,901**

Non-recurring pro-forma transaction costs directly attributable to the merger were $2.2 million for the year ended December 31, 2019, and have been deducted from the non-interest expense amount above. These costs included legal, accounting, valuation, and other professional or consulting fees directly attributable to the merger.

Note 6. Loans and allowance for credit losses

The accounting for a loan depends on management's strategy for the loan, and on whether the loan was credit-deteriorated at the date of acquisition. The Company accounts for loans based on the following loan program categories:

- Originated or purchased loans held-for-investment– originated transitional loans, originated conventional SBC and SBA loans, or acquired loans with no signs of credit deterioration at time of purchase
- Loans at fair value – certain originated conventional SBC loans and PPP loans for which the Company has elected the fair value option
- Loans, held-for-sale, at fair value – originated or acquired that we intend to sell in the near term

Loan portfolio

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

	December 31, 2020		December 31, 2019	
(In Thousands)	**Carrying Value**	**UPB**	**Carrying Value**	**UPB**
Loans				
Originated Transitional loans	$ 530,671	$ 535,963	$ 593,657	$ 600,226
Originated SBA 7(a) loans	310,537	314,938	297,934	299,580
Acquired SBA 7(a) loans	201,066	210,115	255,240	269,396
Originated SBC loans	173,190	167,470	133,118	132,227
Acquired loans	351,381	352,546	430,307	433,079
Originated PPP loans, at fair value	74,931	74,931	—	—
Originated SBC loans, at fair value	13,795	14,088	20,212	19,565
Originated Residential Agency loans	3,208	3,208	3,396	3,395
Total Loans, before allowance for loan losses	**$ 1,658,779**	**$ 1,673,259**	**$ 1,733,864**	**$ 1,757,468**
Allowance for loan losses	**$ (33,224)**	**$ —**	**$ (5,880)**	**$ —**
Total Loans, net	**$ 1,625,555**	**$ 1,673,259**	**$ 1,727,984**	**$ 1,757,468**
Loans in consolidated VIEs				
Originated SBC loans	$ 889,566	$ 885,235	$ 1,037,844	$ 1,026,921
Originated Transitional loans	788,403	792,432	490,913	493,217
Acquired loans	697,567	701,133	666,226	671,698
Originated SBA 7(a) loans	68,625	72,451	79,457	83,559
Acquired SBA 7(a) loans	42,154	52,456	53,320	66,997
Total Loans, in consolidated VIEs, before allowance for loan losses	**$ 2,486,315**	**$ 2,503,707**	**$ 2,327,760**	**$ 2,342,392**
Allowance for loan losses on loans in consolidated VIEs	**$ (13,508)**	**$ —**	**$ (1,561)**	**$ —**
Total Loans, net, in consolidated VIEs	**$ 2,472,807**	**$ 2,503,707**	**$ 2,326,199**	**$ 2,342,392**
Loans, held for sale, at fair value				
Originated Residential Agency loans	$ 260,447	$ 249,852	$ 136,506	$ 132,016
Originated Freddie Mac loans	51,248	50,408	21,775	21,513
Originated SBC loans	17,850	17,850	—	—
Originated SBA 7(a) loans	10,232	9,436	28,551	26,669
Acquired loans	511	499	1,245	1,208
Total Loans, held for sale, at fair value	**$ 340,288**	**$ 328,045**	**$ 188,077**	**$ 181,406**
Loans, held for sale, at fair value in consolidated VIEs				
Acquired loans	$ —	$ —	$ 4,434	$ 4,400
Total Loans, held for sale, at fair value in consolidated VIEs	**$ —**	**$ —**	**$ 4,434**	**$ 4,400**
Total Loan portfolio	**$ 4,438,650**	**$ 4,505,011**	**$ 4,246,694**	**$ 4,285,666**

Loan vintage and credit quality indicators

The Company monitors credit quality of our loan portfolio based on primary credit quality indicators. Delinquency rates are a primary credit quality indicator for our types of loans. Loans that are more than 30 days past due provide an early warning of borrowers who may be experiencing financial difficulties and/or who may be unable or unwilling to repay the loan. As the loan continues to age, it becomes clearer that the borrower is likely either unable or unwilling to pay.

The following table summarizes the classification, UPB and carrying value of loans by year of origination:

		Carrying Value by Year of Origination						
(In Thousands)	**UPB**	**2020**	**2019**	**2018**	**2017**	**2016**	**Pre 2016**	**Total**
December 31, 2020								
Loans[1] [2]								
Originated Transitional loans	$ 1,328,395	$ 385,183	$ 583,593	$ 306,971	$ 23,783	$ 18,480	$ 1,064	$ 1,319,074
Originated SBC loans	1,052,705	66,715	486,033	237,313	110,354	43,696	112,444	1,056,555
Acquired loans	1,053,679	21,414	40,572	42,167	38,649	19,533	883,774	1,046,109
Originated SBA 7(a) loans	387,389	47,939	98,568	133,812	68,375	22,056	4,041	374,791
Acquired SBA 7(a) loans	262,571	139	19,658	14,636	283	19	204,703	239,438
Originated PPP loans, at fair value	74,931	74,931	—	—	—	—	—	74,931
Originated SBC loans, at fair value	14,088	—	—	—	1,598	6,442	5,755	13,795
Originated Residential Agency loans	3,208	1,571	645	705	—	88	199	3,208
Total Loans, before general allowance for loans losses	**$ 4,176,966**	**$ 597,892**	**$ 1,229,069**	**$ 735,604**	**$ 243,042**	**$ 110,314**	**$ 1,211,980**	**$ 4,127,901**
General allowance for loan losses								**$ (29,539)**
Total Loans, net								**$ 4,098,362**

(1) Loan balances include specific allowance for loan losses of $17.2 million

(2) Includes Loans, net in consolidated VIEs

The following table presents delinquency information on loans, net by year of origination:

(In Thousands)	UPB	Carrying Value by Year of Origination 2020	2019	2018	2017	2016	Pre 2016	Total
December 31, 2020								
Loans(1) (2)								
Current and less than 30 days past due	$ 3,979,225	$ 591,405	$ 1,221,227	$ 707,068	$ 203,331	$ 100,003	$ 1,125,100	$ 3,948,134
30 - 59 days past due	38,836	5,812	5,191	15,097	401	2	11,933	38,436
60+ days past due	158,905	675	2,651	13,439	39,310	10,309	74,947	141,331
Total Loans, before general allowance for loans losses	**$ 4,176,966**	**$ 597,892**	**$ 1,229,069**	**$ 735,604**	**$ 243,042**	**$ 110,314**	**$ 1,211,980**	**$ 4,127,901**
General allowance for loan losses								**$ (29,539)**
Total Loans, net								**$ 4,098,362**

(1) Loan balances include specific allowance for loan losses of $17.2 million
(2) Includes Loans, net in consolidated VIEs

The following tables present delinquency information on loans, net as of the consolidated balance sheet dates:

Loans (In Thousands)	December 31, 2020 Current and less than 30 days past due	30-59 days past due	60+ days past due	Total Loans Carrying Value	Non-Accrual Loans	90+ days past due and Accruing
Loans(1)(2)						
Originated Transitional loans	$ 1,281,579	$ 17,713	$ 19,782	$ 1,319,074	$ 19,416	$ —
Originated SBC loans	1,000,878	6,591	49,086	1,056,555	37,635	—
Acquired loans	978,346	7,729	60,034	1,046,109	57,020	—
Originated SBA 7(a) loans	369,416	1,741	3,634	374,791	8,668	—
Acquired SBA 7(a) loans	228,651	4,008	6,779	239,438	9,001	—
Originated PPP loans, at fair value	74,931	—	—	74,931	—	—
Originated SBC loans, at fair value	13,795	—	—	13,795	—	—
Originated Residential Agency loans	538	654	2,016	3,208	2,418	—
Total Loans, before general allowance for loans losses	**$ 3,948,134**	**$ 38,436**	**$ 141,331**	**$ 4,127,901**	**$ 134,158**	**$ —**
General allowance for loan losses				**$ (29,539)**		
Total Loans, net				**$ 4,098,362**		
Percentage of loans outstanding	**95.7%**	**0.9%**	**3.4%**	**100%**	**3.3%**	**0.0%**

(1) Loan balances include specific allowance for loan losses of $17.2 million
(2) Includes Loans, net in consolidated VIEs

Loans (In Thousands)	December 31, 2019 Current and less than 30 days past due	30-59 days past due	60+ days past due	Total Loans Carrying Value	Non-Accrual Loans	90+ days past due and Accruing
Loans(1)(2)						
Originated Transitional loans	$ 1,074,955	$ 5,728	$ 5,645	$ 1,086,328	$ 24,587	$ —
Originated SBC loans	1,137,140	11,769	19,990	1,168,899	16,089	—
Acquired loans	1,032,259	41,830	20,194	1,094,283	23,500	3,382
Acquired SBA 7(a) loans	297,172	4,048	5,640	306,860	9,177	1,326
Originated SBC loans, at fair value	20,212	—	—	20,212	—	—
Originated SBA 7(a) loans	370,101	2,085	4,443	376,629	8,882	—
Originated Residential Agency loans	582	209	2,605	3,396	2,105	74
Total Loans, before general allowance for loans losses	**$ 3,932,421**	**$ 65,669**	**$ 58,517**	**$ 4,056,607**	**$ 84,340**	**$ 4,782**
General allowance for loan losses				**$ (2,424)**		
Total Loans, net				**$ 4,054,183**		
Percentage of loans outstanding	**97.0%**	**1.6%**	**1.4%**	**100%**	**2.1%**	**0.1%**

(1) Loan balances include specific allowance for loan losses of $5.0 million
(2) Includes Loans, net in consolidated VIEs

In addition to delinquency rates, the current estimated LTV ratio is another indicator that can provide insight into a borrower's continued willingness to pay, as the delinquency rate of high LTV loans tends to be greater than that for loans where the borrower has equity in the collateral. The geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, property price changes and specific events such as natural disasters, will affect credit quality. The collateral concentration of the loan portfolio also provides insight as to the credit quality of the portfolio, as certain economic factors or events may have a more pronounced impact on certain sectors or property types. The Company monitors the loan-to-value ratio and associated risks on a monthly basis.

The following table presents quantitative information on the credit quality of loans, net as of the consolidated balance sheet dates:

	Loan-to-Value [1]						
(In Thousands)	0.0 – 20.0%	20.1 – 40.0%	40.1 – 60.0%	60.1 – 80.0%	80.1 – 100.0%	Greater than 100.0%	Total
December 31, 2020							
Loans[2] [3]							
Originated Transitional loans	$ 5,485	$ 8,269	$ 252,798	$ 891,895	$ 157,900	$ 2,727	$ 1,319,074
Originated SBC loans	5,372	76,899	453,381	515,023	—	5,880	1,056,555
Acquired loans	266,345	385,579	228,262	113,023	40,838	12,062	1,046,109
Originated SBA 7(a) loans	1,203	15,013	51,133	147,020	61,297	99,125	374,791
Acquired SBA 7(a) loans	7,523	39,086	89,644	54,007	28,332	20,846	239,438
Originated PPP loans, at fair value	—	—	—	—	—	74,931	74,931
Originated SBC loans, at fair value	—	7,354	—	6,441	—	—	13,795
Originated Residential Agency loans	—	—	88	1,236	1,552	332	3,208
Total Loans, before general allowance for loans losses	**$ 285,928**	**$ 532,200**	**$ 1,075,306**	**$ 1,728,645**	**$ 289,919**	**$ 215,903**	**$ 4,127,901**
General allowance for loan losses							**$ (29,539)**
Total Loans, net							**$ 4,098,362**
Percentage of loans outstanding	**6.9 %**	**12.9 %**	**26.1 %**	**41.9 %**	**7.0 %**	**5.2 %**	
December 31, 2019							
Loans[2] [3]							
Originated Transitional loans	$ 1,736	$ 28,108	$ 277,388	$ 750,298	$ 28,059	$ 739	$ 1,086,328
Originated SBC loans	—	60,601	431,312	660,733	8,045	8,208	1,168,899
Acquired loans	218,679	371,471	293,216	161,431	35,731	13,755	1,094,283
Acquired SBA 7(a) loans	7,712	39,566	103,590	83,954	39,726	32,312	306,860
Originated SBC loans, at fair value	—	8,192	—	6,422	5,598	—	20,212
Originated SBA 7(a) loans	865	13,843	41,166	130,177	78,544	112,034	376,629
Originated Residential Agency loans	—	51	—	830	2,393	122	3,396
Total Loans, before general allowance for loans losses	**$ 228,992**	**$ 521,832**	**$ 1,146,672**	**$ 1,793,845**	**$ 198,096**	**$ 167,170**	**$ 4,056,607**
General allowance for loan losses							**$ (2,424)**
Total Loans, net							**$ 4,054,183**
Percentage of loans outstanding	**5.6 %**	**12.9 %**	**28.3 %**	**44.2 %**	**4.9 %**	**4.1 %**	

(1) Loan-to-value is calculated as carrying amount as a percentage of current collateral value
(2) Loan balances include specific allowance for loan loss reserves
(3) Includes Loans, net in consolidated VIEs

As of December 31, 2020 and 2019, the Company's total carrying amount of loans in the foreclosure process was $2.2 million and $0.8 million, respectively.

The following table displays the geographic concentration of the Company's loans, net, secured by real estate recorded on our consolidated balance sheets.

Geographic Concentration (% of Unpaid Principal Balance)	December 31, 2020	December 31, 2019
California	18.1 %	16.9 %
Texas	14.2	15.2
New York	9.8	8.3
Florida	7.8	8.3
Illinois	5.2	5.2
Georgia	4.9	4.8
North Carolina	3.1	3.2
Washington	3.1	2.8
Arizona	2.8	3.4
Colorado	2.8	2.8
Other	28.2	29.1
Total	**100.0 %**	**100.0 %**

The following table displays the collateral type concentration of the Company's loans, net, on our consolidated balance sheets.

Collateral Concentration (% of Unpaid Principal Balance)	December 31, 2020	December 31, 2019
Multi-family	23.8 %	26.6 %
SBA[1]	17.4	17.6
Retail	17.3	17.5
Office	13.1	12.9
Mixed Use	13.1	10.4
Industrial	7.0	6.4
Lodging/Residential	3.2	3.3
Other	5.1	5.3
Total	**100.0 %**	**100.0 %**

(1) Further detail provided on SBA collateral concentration is included in table below.

The following table displays the collateral type concentration of the Company's SBA loans within loans, net, on our consolidated balance sheets.

Collateral Concentration (% of Unpaid Principal Balance)	December 31, 2020	December 31, 2019
Lodging	17.2 %	17.3 %
Offices of Physicians	12.0	14.1
Child Day Care Services	7.2	8.1
Eating Places	5.3	6.1
Gasoline Service Stations	3.4	3.7
Veterinarians	3.3	4.1
Executive Search Services	2.6	—
All Other Miscellaneous Store Retailers (except Tobacco Stores)	2.3	—
Funeral Service & Crematories	1.8	2.0
Grocery Stores	1.7	2.0
Other	43.2	42.6
Total	**100.0 %**	**100.0 %**

Allowance for credit losses

The allowance for loan losses represents the Company's estimate of expected credit losses inherent in the Company's held-for-investment loan portfolio. This is assessed by considering credit quality indicators, including probable and historical losses, collateral values, loan-to-value ("LTV") ratios, and economic conditions.

The following tables present the allowance for loan losses by loan product and impairment methodology:

	Year Ended December 31, 2020						
(In Thousands)	Originated SBC loans	Originated Transitional loans	Acquired loans	Acquired SBA 7(a) loans	Originated SBA 7(a) loans	Originated Residential Agency Loans	Total Allowance for loan losses
General	$ 2,640	$ 14,995	$ 5,457	$ 767	$ 5,680	$ —	$ 29,539
Specific	6,200	—	2,840	3,782	4,371	—	17,193
Ending balance	**$ 8,840**	**$ 14,995**	**$ 8,297**	**$ 4,549**	**$ 10,051**	**$ —**	**$ 46,732**

	Year Ended December 31, 2019						
(In Thousands)	Originated SBC loans	Originated Transitional loans	Acquired loans	Acquired SBA 7(a) loans	Originated SBA 7(a) loans	Originated Residential Agency Loans	Total Allowance for loan losses
General	$ 124	$ 64	$ 803	$ 414	$ 1,019	$ —	$ 2,424
Specific	180	124	86	941	762	—	2,093
PCD	—	—	2,165	759	—	—	2,924
Ending balance	**$ 304**	**$ 188**	**$ 3,054**	**$ 2,114**	**$ 1,781**	**$ —**	**$ 7,441**

The following tables detail the activity of the allowance for loan losses for loans:

	Year Ended December 31, 2020						
(In Thousands)	Originated SBC loans	Originated Transitional loans	Acquired loans	Acquired SBA 7(a) loans	Originated SBA 7(a) loans	Originated Residential Agency Loans	Total Allowance for loan losses
Beginning balance	$ 304	$ 188	$ 3,054	$ 2,114	$ 1,781	$ —	$ 7,441
Cumulative-effect adjustment upon adoption of ASU 2016-13	2,400	1,906	1,878	3,562	1,379	—	11,125
Provision for (Recoveries of) loan losses	6,335	16,247	3,502	141	7,560	—	33,785
Charge-offs and sales	(199)	(3,346)	(137)	(1,396)	(717)	—	(5,795)
Recoveries	—	—	—	128	48	—	176
Ending balance	**$ 8,840**	**$ 14,995**	**$ 8,297**	**$ 4,549**	**$ 10,051**	**$ —**	**$ 46,732**

	Year Ended December 31, 2019						
(In Thousands)	Originated SBC loans	Originated Transitional loans	Acquired loans	Acquired SBA 7(a) loans	Originated SBA 7(a) loans	Originated Residential Agency Loans	Total Allowance for loan losses
Beginning balance	$ 11	$ 353	$ 5,052	$ 2,318	$ 586	$ —	$ 8,320
Provision for (recoveries of) loan losses	420	(167)	781	939	1,711	—	3,684
Charge-offs and sales	(127)	—	(1,144)	(1,282)	(516)	—	(3,069)
Recoveries	—	2	(1,635)	139	—	—	(1,494)
Ending balance	**$ 304**	**$ 188**	**$ 3,054**	**$ 2,114**	**$ 1,781**	**$ —**	**$ 7,441**

The tables above exclude $0.9 million of provision for loan losses on unfunded lending commitments as of December 31, 2020. There was no such provision for loan losses on unfunded commitments as of December 31, 2019. Refer to 'Notes to Consolidated Financial Statements, Note 3 – Summary of Significant Accounting Policies" included in Item 8, "Financial Statements and Supplementary Data," in this annual report on Form 10-K for more information on our accounting policies, methodologies and judgment applied to determine the allowance for loan losses and lending commitments.

Non-accrual loans

The following table details information about the Company's non-accrual loans:

(In Thousands)	December 31, 2020	December 31, 2019
Non-accrual loans		
With an allowance	$ 75,862	$ 20,657
Without an allowance	58,296	63,683
Total recorded carrying value of non-accrual loans	**$ 134,158**	**$ 84,340**
Allowance for loan losses related to non-accrual loans	$ (17,367)	$ (3,581)
Unpaid principal balance of non-accrual loans	$ 158,471	$ 98,498
Interest income on non-accrual loans for the year ended	$ 3,212	$ 3,132

Troubled debt restructurings

If the borrower is determined to be in financial difficulty, then the Company will determine whether a financial concession has been granted to the borrower by analyzing the value of the loan as compared to the recorded investment, modifications of the interest rate as compared to market rates, modification of the stated maturity date, modification of the timing of principal and interest payments and the partial forgiveness of the loan. Modified loans that are classified as TDRs are individually evaluated and measured for impairment.

In March 2020, a joint statement was issued by federal and state regulatory agencies, after consultation with the FASB, to clarify that short-term loan modifications are not TDRs if made on a good-faith basis in response to COVID-19 to borrowers who were current prior to any relief. Under this guidance, six months is provided as an example of short-term, and current is defined as less than 30 days past due at the time the modification program is implemented. The guidance also provides that these modified loans generally will not be classified as non-accrual during the term of the modification. For borrowers who are 30 days or more past due when enrolling in a loan modification program related to the COVID-19 pandemic, we evaluate the loan modifications under our existing TDR framework, and where such a loan modification would result in a concession to a borrower experiencing financial difficulty, the loan will be accounted for as a TDR and will generally not accrue interest.

The following table summarizes the recorded investment of TDRs in the consolidated balance sheet by loan type as of the consolidated balance sheet dates.

	December 31, 2020			December 31, 2019		
(In Thousands)	SBC	SBA	Total	SBC	SBA	Total
Recorded carrying value modified loans classified as TDRs	$ 7,327	$ 17,932	$ 25,259	$ 6,258	$ 14,204	$ 20,462
Allowance for loan losses on loans classified as TDRs	$ 17	$ 3,323	$ 3,340	$ 274	$ 454	$ 728
Carrying value of modified loans classified as TDRs						
Carrying value of modified loans classified as TDRs on accrual status	$ 307	$ 6,888	$ 7,195	$ 333	$ 7,437	$ 7,770
Carrying value of modified loans classified as TDRs on non-accrual status	7,020	11,044	18,064	5,925	6,767	12,692
Total carrying value of modified loans classified as TDRs	**$ 7,327**	**$ 17,932**	**$ 25,259**	**$ 6,258**	**$ 14,204**	**$ 20,462**

The following table summarizes the TDR activity that occurred during the years ended December 31, 2020 and 2019 and the financial effects of these modifications.

	Year Ended December 31, 2020			Year Ended December 31, 2019		
(In Thousands, except number of loans)	SBC	SBA	Total	SBC	SBA	Total
Number of loans permanently modified	5	28	33	3	31	34
Pre-modification recorded balance [a]	$ 10,963	$ 8,420	$ 19,383	$ 2,169	$ 4,045	$ 6,214
Post-modification recorded balance [a]	$ 10,963	8,455	$ 19,418	$ 2,169	$ 3,778	$ 5,947
Number of loans that remain in default as of 2020 [b]	3	4	7	3	8	11
Balance of loans that remain in default as of 2020 [b]	$ 5,285	$ 302	$ 5,587	$ 2,240	$ 534	$ 2,774
Concession granted [a]:						
Term extension	$ —	$ 7,020	$ 7,020	$ —	$ 4,033	$ 4,033
Interest rate reduction	—	—	—	—	—	—
Principal reduction	—	—	—	—	—	—
Foreclosure	5,285	302	5,587	2,240	264	2,504
Total	**$ 5,285**	**$ 7,322**	**$ 12,607**	**$ 2,240**	**$ 4,297**	**$ 6,537**

(a) Represents carrying value.

(b) Represents the December 31, 2020 carrying values of the TDRs that occurred during the year ended December 31, 2020 and 2019 that remained in default as of December 31, 2020. Generally, all loans modified in a TDR are placed or remain on non-accrual status at the time of the restructuring. However, certain accruing loans modified in a TDR that are current at the time of restructuring may remain on accrual status if payment in full under the restructured terms is expected. For purposes of this schedule, a loan is considered in default if it is 30 or more days past due.

The Company does not believe the financial impact of the presented TDRs to be material. The other elements of the Company's modification programs do not have a significant impact on financial results given their relative size, or do not have a direct financial impact as in the case of covenant changes.

PCD loans
The Company did not acquire any PCD loans as of the year ended December 2020 and 2019.

Note 7. Fair value measurements

The Company adopted the provisions of ASC 820 *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 established a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured and reported at fair value are classified and disclosed into one of the following categories based on the inputs as follows:

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

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

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

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

The following table presents the Company's financial instruments carried at fair value on a recurring basis as of December 31, 2020:

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Loans, held for sale, at fair value	$ —	$ 340,288	$ —	$ 340,288
Loans, net, at fair value	—	—	88,726	88,726
Mortgage backed securities, at fair value	—	62,880	25,131	88,011
Derivative instruments, at fair value	—	—	16,363	16,363
Residential mortgage servicing rights, at fair value	—	—	76,840	76,840
Total assets	**$ —**	**$ 403,168**	**$ 207,060**	**$ 610,228**
Liabilities:				
Derivative instruments, at fair value	$ —	$ 11,604	$ —	$ 11,604
Total liabilities	**$ —**	**$ 11,604**	**$ —**	**$ 11,604**

The following table presents the Company's financial instruments carried at fair value on a recurring basis as of December 31, 2019:

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Loans, held for sale, at fair value	$ —	$ 192,510	$ —	$ 192,510
Loans, net, at fair value	—	—	20,212	20,212
Mortgage backed securities, at fair value	—	92,006	460	92,466
Derivative instruments, at fair value	—	—	2,814	2,814
Residential mortgage servicing rights, at fair value	—	—	91,174	91,174
Total assets	**$ —**	**$ 284,516**	**$ 114,660**	**$ 399,176**
Liabilities:				
Derivative instruments, at fair value	$ —	$ 5,250	$ —	$ 5,250
Total liabilities	**$ —**	**$ 5,250**	**$ —**	**$ 5,250**

The following tables present a summary of changes in our Level 3 assets and liabilities:

	Year Ended December 31, 2020			
(In Thousands)	MBS	Derivatives	Loans, net, at fair value	Residential MSRs, at fair value
Beginning Balance	$ 460	$ 2,814	$ 20,212	$ 91,174
Purchases or Originations	12,640	—	106,704	—
Additions due to loans sold, servicing retained	—	—	—	43,701
Sales / Principal payments	(13)	—	(37,435)	(20,777)
Realized gains, net	—	—	350	—
Unrealized gains (losses), net	(348)	13,549	(1,105)	(37,258)
Accreted discount, net	12	—	—	—
Transfer to (from) Level 3	12,380	—	—	—
Ending Balance	**$ 25,131**	**$ 16,363**	**$ 88,726**	**$ 76,840**
Unrealized gains (losses), net on assets/liabilities held at the end of the period	$ 602	$ 16,363	$ (293)	$ (47,209)

	Year Ended December 31, 2019			
(In Thousands)	MBS	Derivatives	Loans, net, at fair value	Residential MSRs, at fair value
Beginning Balance	$ 12,148	$ 1,776	$ 22,664	$ 93,065
Purchases or Originations	9,593	—	—	—
Additions due to loans sold, servicing retained	—	—	—	26,854
Sales / Principal payments	(2,230)	—	(2,744)	(10,178)
Realized gains (losses), net	517	—	(141)	—
Unrealized gains (losses), net	98	1,038	433	(18,567)
Accreted discount, net	141	—	—	—
Transfer to (from) Level 3	(19,807)	—	—	—
Ending Balance	**$ 460**	**$ 2,814**	**$ 20,212**	**$ 91,174**
Unrealized gains (losses), net on assets/liabilities held at the end of the period	$ 355	$ 1,038	$ 647	$ (18,567)

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

Valuation process for fair value measurements

The Company establishes valuation processes and procedures designed so that fair value measurements are appropriate and reliable, that they are based on observable inputs where possible, and that valuation approaches are consistently applied and the assumptions and inputs are reasonable. The Company has also established processes to provide that the valuation methodologies, techniques and approaches for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent and verifiable. The Company's processes provide a framework that ensures the oversight of the Company's fair value methodologies, techniques, validation procedures, and results.

The Company designates a valuation committee (the "Committee") to oversee the entire valuation process of the Company's Level 3 investments. The Committee is comprised of various personnel who are responsible for developing the Company's written valuation policies, processes and procedures, conducting periodic reviews of the valuation policies, and performing validation procedures on the overall fairness and consistent application of the valuation policies and processes and that the assumptions and inputs used in valuation are reasonable. The validation procedures overseen by the Committee are also intended to provide that the values received from external third-party pricing sources are consistent with the Company's Valuation Policy and are carried at fair value. To the extent that there is no exchange pricing, vendor marks or broker quotes readily available, the Company may use an internal valuation model or other valuation methodology that may be based on unobservable market inputs to fair value the investment.

The values provided by a third-party pricing service are calculated based on key inputs provided by the Company including collateral values, unpaid principal balances, cash flow velocity, contractual status and anticipated disposition timelines. In addition, the Company performs an internal valuation used to assess and review the reasonableness and validity of the fair values provided by a third party. The Company also performs analytical procedures, which include automated checks consisting of prior-period variance analysis, comparisons of actual prices to internally calculate expected prices based on observable market changes, analysis of changes in pricing ranges, and relative value and yield comparisons using the Company's proprietary valuation models.

Upon completion of the review process described above, the Company may provide additional quantitative and qualitative data to the third-party pricing service to consider in valuing certain financial assets and liabilities, as applicable. Such data may include deal specific information not included in the data tape provided to the third party, outliers when compared to the unpaid principal balance and collateral value and knowledge of any impending liquidation of an investment. If deemed necessary by the third party and management, the investments are re-valued by the third party to account for the updated information.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Company's financial instruments that are categorized within Level 3 of the fair value hierarchy as of December 31, 2020 using third party information without adjustment:

(In Thousands, except price)	Fair Value	Predominant Valuation Technique (a)	Type	Range	Weighted Average
Residential mortgage servicing rights, at fair value	$ 76,840	Income Approach	Discounted cash flow	N/A	N/A
Derivative instruments, at fair value	$ 16,363	Market Approach	Origination pull-through rate | Servicing Fee Multiple | Percentage of unpaid principal balance	47.62 - 100% | 0.51 - 12.8% | 0.13 to 2.9%	84.1% | 3.6% | 1.1%

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

Included within Level 3 assets of $207.1 million is $113.9 million of quoted or transaction prices in which quantitative unobservable inputs are not developed by the Company when measuring fair value (for example, when we utilize prices from prior transactions or third-party pricing information without adjustments). Refer to 'Notes to Consolidated Financial Statements, Note 9 - Servicing Rights" included in Item 8, "Financial Statements and Supplementary Data," in this annual report on Form 10-K for more information on Residential mortgage servicing rights unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Company's financial instruments that are categorized within Level 3 of the fair value hierarchy as of December 31, 2019 using third-party information without adjustment:

(In Thousands, except price)	Fair Value	Predominant Valuation Technique (a)	Type	Range	Weighted Average
Residential mortgage servicing rights, at fair value	$ 91,174	Income Approach	Discounted cash flow	$ N/A	N/A
Derivative instruments, at fair value	$ 2,814	Market Approach	Origination pull-through rate | Servicing Fee Multiple | Percentage of unpaid principal balance	48.00 - 100% | 0.35 - 8.0% | 0.09 to 3.3%	84.1% | 5.2% | 1.7%

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

Included within Level 3 assets of $114.7 million is $20.7 million of quoted or transaction prices in which quantitative unobservable inputs are not developed by the Company when measuring fair value (for example, when we utilize prices from prior transactions or third-party pricing information without adjustments). Refer to 'Notes to Consolidated Financial Statements, Note 9 - Servicing Rights" included in Item 8, "Financial Statements and Supplementary Data," in this annual report on Form 10-K for more information on Residential mortgage servicing rights unobservable inputs.

The fair value measurements of these assets are sensitive to changes in assumptions regarding prepayment, probability of default, loss severity in the event of default, forecasts of home prices, and significant activity or developments in the real estate market. Significant changes in any of those inputs in isolation may result in significantly higher or lower fair value measurements. Generally, an increase in the probability of default and loss severity in the event of default would result in a lower fair value measurement. A decrease in these assumptions would have the opposite effect. Conversely, an assumption that the home prices will increase would result in a higher fair value measurement. A decrease in the assumption for home prices would have the opposite effect.

Financial instruments not carried at fair value

The following table presents the carrying value and estimated fair value of our financial instruments that are not carried at fair value in the consolidated balance sheets and are classified as Level 3:

	December 31, 2020		December 31, 2019	
(In Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Loans, net	$ 4,009,636	$ 4,103,200	$ 4,033,972	$ 4,147,831
Purchased future receivables, net	17,308	17,308	43,265	43,265
Servicing rights	37,823	47,567	30,795	34,723
Total assets	**$ 4,064,767**	**$ 4,168,075**	**$ 4,108,032**	**$ 4,225,819**
Liabilities:				
Secured borrowings	$ 1,370,519	$ 1,370,519	$ 1,189,392	$ 1,189,392
Securitized debt obligations of consolidated VIEs, net	1,905,749	1,907,541	1,815,154	1,859,047
Senior secured note, net	179,659	188,114	179,289	190,923
Guaranteed loan financing	401,705	426,348	485,461	515,182
Convertible notes, net	112,129	68,186	111,040	116,654
Corporate debt, net	150,989	151,209	149,986	161,098
Total liabilities	**$ 4,120,750**	**$ 4,111,917**	**$ 3,930,322**	**$ 4,032,296**

Other assets of $23.8 million at December 31, 2020 and $20.7 million at December 31, 2019 are not carried at fair value and include due from servicers and accrued interest, which are reflected in Note 19. Receivable from third parties of $1.2 million at December 31, 2020 and 2019 are not carried at fair value. For these instruments, carrying value approximates fair value and are classified as Level 3. Accounts payable and other accrued liabilities of $23.8 million at December 31, 2020 and $20.0 million at December 31, 2019 are not carried at fair value and include payable to related parties and accrued interest payable which are included in Note 19. For these instruments, carrying value approximates fair value and are classified as Level 3.

Note 8. Mortgage backed securities

The following table presents certain information about the Company's MBS portfolio, which are classified as trading securities and carried at fair value, as of December 31, 2020 and 2019.

(In Thousands)	Weighted Average Maturity (a)	Weighted Average Interest Rate (a)	Principal Balance	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
December 31, 2020							
Freddie Mac Loans	01/2037	3.7 %	$ 139,408	$ 52,320	$ 53,509	$ 1,880	$ (691)
Commercial Loans	11/2050	4.5	73,074	39,224	34,411	226	(5,039)
Tax Liens	09/2026	6.0	92	92	91	—	(1)
Total Mortgage backed securities, at fair value	**10/2041**	**4.1 %**	**$ 212,574**	**$ 91,636**	**$ 88,011**	**$ 2,106**	**$ (5,731)**
December 31, 2019							
Freddie Mac Loans	06/2037	4.3 %	$ 83,149	$ 61,207	$ 66,108	$ 4,915	$ (14)
Commercial Loans	02/2051	5.4	35,984	25,358	26,255	924	(27)
Tax Liens	09/2026	6.0	104	104	103	—	(1)
Total Mortgage backed securities, at fair value	**07/2041**	**4.6 %**	**$ 119,237**	**$ 86,669**	**$ 92,466**	**$ 5,839**	**$ (42)**

(a) Weighted based on current principal balance

The following table presents certain information about the maturity of the Company's MBS portfolio as of December 31, 2020 and 2019.

(In Thousands)	Weighted Average Interest Rate (a)	Principal Balance	Amortized Cost	Fair Value
December 31, 2020				
After five years through ten years	6.0 %	$ 92	$ 92	$ 91
After ten years	2.8	212,482	91,544	87,920
Total Mortgage backed securities, at fair value	**4.1 %**	**$ 212,574**	**$ 91,636**	**$ 88,011**
December 31, 2019				
After five years through ten years	3.8 %	$ 2,869	$ 2,641	$ 2,825
After ten years	4.7	116,368	84,028	89,641
Total Mortgage backed securities, at fair value	**4.6 %**	**$ 119,237**	**$ 86,669**	**$ 92,466**

(a) Weighted based on current principal balance

Note 9. Servicing rights

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

The following table presents information about the Company's portfolios of servicing rights:

	Year Ended December 31,	
(In Thousands)	**2020**	**2019**
SBA servicing rights, at amortized cost		
Beginning net carrying amount	$ 17,660	$ 16,749
Additions due to loans sold, servicing retained	4,153	4,364
Amortization	(3,555)	(3,393)
Impairment	506	(60)
Ending net carrying value of SBA servicing rights	**$ 18,764**	**$ 17,660**
Freddie Mac multi-family servicing rights, at amortized cost		
Beginning net carrying amount	$ 13,135	$ 10,248
Additions due to loans sold, servicing retained	8,850	5,195
Amortization	(2,926)	(2,308)
Ending net carrying value of Freddie Mac multi-family servicing rights	**$ 19,059**	**$ 13,135**
Total servicing rights, at amortized cost	**$ 37,823**	**$ 30,795**
Residential mortgage servicing rights, at fair value		
Beginning net carrying amount	$ 91,174	$ 93,065
Additions due to loans sold, servicing retained	43,701	26,854
Loan pay-offs	(20,777)	(10,178)
Unrealized losses	(37,258)	(18,567)
Ending fair value of Residential mortgage servicing rights	**$ 76,840**	**$ 91,174**
Total servicing rights	**$ 114,663**	**$ 121,969**

Servicing rights – SBA and Freddie Mac. The Company's SBA and Freddie Mac multi-family servicing rights are carried at the lower of cost or amortized cost. The Company estimates the fair value of the SBA and Freddie Mac multi-family servicing rights carried at amortized cost using a combination of internal models and data provided by third-party valuation experts. The assumptions used in our internal models include forward prepayment rates, forward default rates, discount rates, and servicing expenses.

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

The following table presents additional information about the Company's SBA and Freddie Mac multi-family servicing rights:

	As of December 31, 2020		As of December 31, 2019	
(In Thousands)	Unpaid Principal Amount	Carrying Value	Unpaid Principal Amount	Carrying Value
SBA	$ 643,135	$ 18,764	$ 568,017	$ 17,660
Freddie Mac multi-family	1,501,998	19,059	1,167,476	13,135
Total	**$ 2,145,133**	**$ 37,823**	**$ 1,735,493**	**$ 30,795**

The significant assumptions used in the December 31, 2020 and 2019 estimated valuation of the Company's SBA and Freddie Mac multi-family servicing rights carried at amortized cost include:

	December 31, 2020		December 31, 2019	
	Range of input values	Weighted Average	Range of input values	Weighted Average
SBA servicing rights (at amortized cost)				
Forward prepayment rate	6.7 - 20.8 %	8.5 %	6.3 - 21.2 %	9.3 %
Forward default rate	0.0 - 10.5 %	8.2 %	0.0 - 10.8 %	7.3 %
Discount rate	4.5 - 4.5 %	4.5 %	8.8 - 8.8 %	8.8 %
Servicing expense	0.4 - 0.4 %	0.4 %	0.4 - 0.4 %	0.4 %
Freddie Mac multi-family servicing rights (at amortized cost)				
Forward prepayment rate	0.1 - 5.1 %	2.4 %	0.5 - 15.9 %	6.6 %
Forward default rate	0.0 - 0.4 %	0.3 %	0.0 - 0.5 %	0.4 %
Discount rate	6.0 - 6.0 %	6.0 %	6.0 - 6.0 %	6.0 %
Servicing expense	0.2 - 0.3 %	0.2 %	0.2 - 0.3 %	0.2 %

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

The following table reflects the possible impact of 10% and 20% adverse changes to key assumptions on the carrying amount of the Company's SBA and Freddie Mac multi-family servicing rights.

(In Thousands)	December 31, 2020	December 31, 2019
SBA servicing rights (at amortized cost)		
Forward prepayment rate		
Impact of 10% adverse change	$ (729)	$ (563)
Impact of 20% adverse change	$ (1,420)	$ (1,097)
Default rate		
Impact of 10% adverse change	$ (150)	$ (94)
Impact of 20% adverse change	$ (298)	$ (186)
Discount rate		
Impact of 10% adverse change	$ (395)	$ (520)
Impact of 20% adverse change	$ (777)	$ (1,011)
Freddie Mac multi-family servicing rights (at amortized cost)		
Forward prepayment rate		
Impact of 10% adverse change	$ (163)	$ (285)
Impact of 20% adverse change	$ (324)	$ (558)
Default rate		
Impact of 10% adverse change	$ (6)	$ (5)
Impact of 20% adverse change	$ (13)	$ (10)
Discount rate		
Impact of 10% adverse change	$ (678)	$ (381)
Impact of 20% adverse change	$ (1,324)	$ (746)

The estimated future amortization expense for the servicing rights is expected to be as follows:

(In Thousands)	December 31, 2020
2021	$ 7,146
2022	6,265
2023	5,492
2024	4,815
2025	4,217
Thereafter	9,888
Total	**$ 37,823**

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

The following table presents additional information about the Company's residential mortgage servicing rights carried at fair value:

	As of December 31, 2020		As of December 31, 2019	
(In Thousands)	**Unpaid Principal Amount**	**Fair Value**	**Unpaid Principal Amount**	**Fair Value**
Fannie Mae	$ 3,700,450	$ 27,632	$ 3,388,630	$ 37,309
Ginnie Mae	2,757,124	25,899	2,504,993	29,869
Freddie Mac	3,071,312	23,309	2,270,981	23,996
Total	**$ 9,528,886**	**$ 76,840**	**$ 8,164,604**	**$ 91,174**

The significant assumptions used in the valuation of the Company's residential mortgage servicing rights carried at fair value include:

		December 31, 2020		December 31, 2019	
		Range of input values	**Weighted Average**	**Range of input values**	**Weighted Average**
Residential mortgage servicing rights (at fair value)					
	Forward prepayment rate	12.6 - 31.4 %	14.3 %	7.1 - 18.7 %	10.1 %
	Discount rate	9.1 - 11.7 %	9.8 %	9.0 - 11.0 %	9.6 %
	Servicing expense	$70 - $85	$74	$70 - $85	$75

The following table reflects the possible impact of 10% and 20% adverse changes to key assumptions on the fair value of the Company's residential mortgage servicing rights.

(In Thousands)	**December 31, 2020**	**December 31, 2019**
Residential mortgage servicing rights (at fair value)		
Prepayment rate		
Impact of 10% adverse change	$ (5,049)	$ (4,195)
Impact of 20% adverse change	$ (9,701)	$ (8,091)
Discount rate		
Impact of 10% adverse change	$ (2,601)	$ (3,450)
Impact of 20% adverse change	$ (5,028)	$ (6,654)
Cost of servicing		
Impact of 10% adverse change	$ (1,469)	$ (1,648)
Impact of 20% adverse change	$ (2,938)	$ (3,297)

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

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

The following table presents the components of residential mortgage banking activities and variable expenses on residential mortgage banking activities recorded in the Company's consolidated statements of operations.

	For the Year Ended December 31,		
(In Thousands)	**2020**	**2019**	**2018**
Realized and unrealized gain (loss) of residential mortgage loans held for sale, at fair value	$ 198,937	$ 54,640	$ 36,240
Creation of new mortgage servicing rights, net of payoffs	22,919	16,676	15,075
Loan origination fee income on residential mortgage loans	20,802	10,702	9,371
Unrealized gains (loss) on IRLCs and other derivatives	10,062	1,521	(834)
Residential mortgage banking activities	**$ 252,720**	**$ 83,539**	**$ 59,852**
Variable expenses on residential mortgage banking activities	**$ (114,510)**	**$ (51,760)**	**$ (22,228)**

Note 11. Secured borrowings

The following tables present certain characteristics of our secured borrowings:

Lender	Asset Class	Current Maturity	Pricing	Facility Size	Pledged Assets Carrying Value	Carrying Value at December 31, 2020	Carrying Value at December 31, 2019
JPMorgan	Acquired loans, SBA loans	June 2021	1M L + 2.25% to 2.875%	$ 200,000	$ 52,068	$ 36,604	$ 88,972
Keybank	Freddie Mac loans	February 2021	1M L + 1.30%	100,000	51,248	50,408	21,513
East West Bank	SBA loans	October 2022	Prime - 0.821% to + 0.29%	50,000	50,516	40,542	13,294
Credit Suisse	Acquired loans (non USD)	December 2021	Euribor + 2.50% to 3.00%	244,280 (a)	59,353	36,840	37,646
FCB	Acquired loans	June 2021	2.75%	—	—	—	1,354
Comerica Bank	Residential loans	March 2021	1M L + 1.75%	125,000	84,755	78,312	56,822
TBK Bank	Residential loans	October 2021	Variable Pricing	150,000	129,043	123,951	52,151
Origin Bank	Residential loans	June 2021	Variable Pricing	60,000	29,381	27,450	15,343
Associated Bank	Residential loans	November 2021	1M L + 1.50%	60,000	16,962	15,556	5,823
East West Bank	Residential MSRs	September 2023	1M L + 2.50%	50,000	50,941	34,400	39,900
Credit Suisse	Purchased future receivables, PPP loans	June 2021	1M L + 4.50%	150,000	—	—	34,900
Rabobank	Real estate	January 2021	4.22%	14,500	—	—	12,485
Federal Reserve Bank of Minneapolis	PPP loans	April 2022	0.35%	105,222	73,799	76,276	—
Bank of the Sierra	Real estate	August 2050	3.25% to 3.45%	22,750	32,948	22,611	—
Total borrowings under credit facilities (b)				**$ 1,331,752**	**$ 631,014**	**$ 542,950**	**$ 380,203**
Citibank	Fixed rate, Transitional, Acquired loans	October 2021	1M L + 2.50% to 3.25%	$ 500,000	$ 196,304	$ 210,735	$ 124,718
Deutsche Bank	Fixed rate, Transitional loans	November 2021	3M L + 2.00% to 2.40%	350,000	266,014	190,567	141,356
JPMorgan	Transitional loans	November 2022	1M L + 2.25% to 4.00%	400,000	375,035	247,616	250,466
JPMorgan	MBS	March 2021	1.54% to 4.75%	65,407	107,347	65,407	93,715
Deutsche Bank	MBS	January 2021	3.54%	16,354	20,189	16,354	44,730
Citibank	MBS	February 2021	3.25% to 3.75%	58,076	111,796	58,076	56,189
Bank of America	MBS	Matured	1.31% to 1.61%	—	—	—	38,954
RBC	MBS	February 2021	3.05% to 4.43%	38,814	59,620	38,814	59,061
Total borrowings under repurchase agreements (c)				**$ 1,428,651**	**$ 1,136,305**	**$ 827,569**	**$ 809,189**
Total secured borrowings				**$ 2,760,403**	**$ 1,767,319**	**$ 1,370,519**	**$ 1,189,392**

(a) The current facility size is €200.0 million, but has been converted into USD for purposes of this disclosure.
(b) The weighted average interest rate of borrowings under credit facilities was 2.8% and 4.0% as of December 31, 2020 and 2019, respectively.
(c) The weighted average interest rate of borrowings under repurchase agreements was 3.3% and 4.2% as of December 31, 2020 and 2019, respectively.

The following table presents the carrying value of the Company's collateral pledged with respect to secured borrowings outstanding with our lenders:

(In Thousands)	Pledged Assets Carrying Value at December 31, 2020	Pledged Assets Carrying Value at December 31, 2019
Collateral pledged - borrowings under credit facilities		
Loans, held for sale, at fair value	$ 313,844	$ 159,928
Loans, net	159,482	276,810
Loans, held at fair value	73,799	—
Mortgage servicing rights	50,941	61,304
Purchased future receivables	—	43,265
Real estate, held for sale	32,948	19,950
Total	**$ 631,014**	**$ 561,257**
Collateral pledged - borrowings under repurchase agreements		
Loans, net	$ 815,603	$ 721,887
Mortgage backed securities	72,179	113,436
Retained interest in assets of consolidated VIEs	226,773	271,880
Loans, held for sale, at fair value	17,850	—
Loans, held at fair value	3,071	—
Real estate acquired in settlement of loans	829	—
Total	**$ 1,136,305**	**$ 1,107,203**
Total collateral pledged on secured borrowings	**$ 1,767,319**	**$ 1,668,460**

The agreements governing the Company's secured borrowings and promissory note require the Company to maintain certain financial and debt covenants. The Company was in compliance with all debt and financial covenants as of December 31, 2020 and 2019.

Note 12. Senior secured notes, convertible notes, and corporate debt, net

Senior secured notes, net

During 2017, ReadyCap Holdings LLC, a subsidiary of the Company, issued $140.0 million in 7.50% Senior Secured Notes due 2022. On January 30, 2018 ReadyCap Holdings LLC, issued an additional $40.0 million in aggregate principal amount of 7.50% Senior Secured Notes due 2022, which have identical terms (other than issue date and issue price) to the notes issued during 2017 (collectively "the Senior Secured Notes"). The additional $40.0 million in Senior Secured Notes were priced with a yield to par call date of 6.5%. Payments of the amounts due on the Senior Secured Notes are fully and unconditionally guaranteed by the Company and its subsidiaries: Sutherland Partners LP, Sutherland Asset I, LLC, and ReadyCap Commercial, LLC. The funds were used to fund new SBC and SBA loan originations and new SBC loan acquisitions.

As of December 31, 2020, we were in compliance with all covenants with respect to the Senior Secured Notes.

Convertible notes, net

On August 9, 2017, the Company closed an underwritten public sale of $115.0 million aggregate principal amount of its 7.00% convertible senior notes due 2023 ("Convertible Notes"). The Convertible Notes will mature on August 15, 2023, unless earlier repurchased, redeemed or converted. During certain periods and subject to certain conditions, the Convertible Notes will be convertible by holders into shares of the Company's common stock. As of December 31, 2020, the conversion rate was 1.5994 shares of common stock per $25 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately $15.63 per share of common stock. Upon conversion, holders will receive, at the Company's discretion, cash, shares of the Company's common stock or a combination thereof.

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

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

At issuance, we allocated $112.7 million and $2.3 million of the carrying value of the Convertible Notes to its debt and equity components, respectively, before the allocation of deferred financing costs. As of December 31, 2020, we were in compliance with all covenants with respect to the Convertible Notes.

Corporate debt, net

On April 27, 2018, the Company completed the public offer and sale of $50,000,000 aggregate principal amount of its 6.50% Senior Notes due 2021 (the "2021 Notes"). The Company issued the 2021 Notes under a base indenture, dated August 9, 2017, as supplemented by the second supplemental indenture, dated as of April 27, 2018, between the Company and U.S. Bank National Association, as trustee. The 2021 Notes bear interest at a rate of 6.50% per annum, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018. The 2021 Notes will mature on April 30, 2021, unless earlier redeemed or repurchased.

The Company may redeem for cash all or any portion of the 2021 Notes, at its option, on or after April 30, 2019 and before April 30, 2020 at a redemption price equal to 101% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after April 30, 2020, the Company may redeem for cash all or any portion of the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company undergoes a change of control repurchase event, holders may require it to purchase the 2021 Notes, in whole or in part, for cash at a repurchase price equal to 101% of the aggregate principal amount of the 2021 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase, as described in greater detail in the Indenture.

The 2021 Notes are the Company's senior direct unsecured obligations and will not be guaranteed by any of its subsidiaries, except to the extent described in the Indenture upon the occurrence of certain events. The 2021 Notes rank equal in right of payment to any of the Company's existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by the Company) preferred stock, if any, of its subsidiaries.

On July 22, 2019, the Company completed the public offer and sale of $57.5 million aggregate principal amount of its 6.20% Senior Notes due 2026 (the "2026 Notes" and together with the 2021 Notes, the "Corporate Debt"), which includes $7.5 million aggregate principal amount of the 2026 Notes relating to the full exercise of the underwriters' over-allotment option. The net proceeds from the sale of the 2026 Notes are approximately $55.3 million, after deducting underwriters' discount and estimated offering expenses. The Company will contribute the net proceeds to Sutherland Partners, L.P. (the "Operating Partnership"), its operating partnership subsidiary, in exchange for the issuance by the Operating Partnership of a senior unsecured note with terms that are substantially equivalent to the terms of the 2026 Notes. The Operating Partnership intends to use the net proceeds to originate or acquire the Company's target assets and for general business purposes.

The 2026 Notes bear interest at a rate of 6.20% per annum, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2019. The 2026 Notes will mature on July 30, 2026, unless earlier repurchased or redeemed.

The Company may redeem for cash all or any portion of the 2026 Notes, at its option, on or after July 30, 2022 and before July 30, 2025 at a redemption price equal to 101% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after July 30, 2025, the Company may redeem for cash all or any portion of the 2026 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company undergoes a change of control repurchase event, holders may require it to purchase the 2026 Notes, in whole or in part, for cash at a repurchase price equal to 101% of the aggregate principal amount of the 2026 Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase, as described in greater detail in the Indenture.

The 2026 Notes are the Company's senior unsecured obligations and will not be guaranteed by any of its subsidiaries, except to the extent described in the Indenture upon the occurrence of certain events. The 2026 Notes rank equal in right of payment to any of the Company's existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by the Company) preferred stock, if any, of its subsidiaries.

On December 2, 2019, the Company completed the public offer and sale of $45.0 million aggregate principal amount of the 2026 Notes. The new notes have the same terms (expect with respect to issue date, issue price and the date from which interest will accrue) as, are fully fungible with and are treated as a single series of debt securities as, the 6.20% Senior Notes due 2026 the Company issued on July 22, 2019.

As of December 31, 2020, we were in compliance with all covenants with respect to the corporate debt.

The following table presents the components of the Senior Secured Notes, Convertible Notes, and Corporate Debt, including the carrying value for the aggregate contractual maturities, in the consolidated balance sheet:

(in thousands, except rates)	Coupon Rate	Maturity Date	December 31, 2020
Senior secured notes principal amount[1]	7.50 %	2/15/2022	$ 180,000
Unamortized premium - Senior secured notes			896
Unamortized deferred financing costs - Senior secured notes			(1,236)
Total Senior secured notes, net			**$ 179,659**
Convertible notes - principal amount [2]	7.00 %	8/15/2023	115,000
Unamortized discount - Convertible notes [3]			(1,059)
Unamortized deferred financing costs - Convertible notes			(1,812)
Total Convertible notes, net			**$ 112,129**
Corporate debt principal amount[4]	6.50 %	4/30/2021	$ 50,000
Corporate debt principal amount[5]	6.20 %	7/30/2026	104,250
Unamortized discount - Corporate debt			378
Unamortized deferred financing costs - Corporate debt			(3,639)
Total Corporate debt, net			**$ 150,989**
Total carrying amount of debt components			**$ 442,777**
Total carrying amount of conversion option of equity components recorded in equity			**$ 1,059**

(1) Interest on the senior secured notes is payable semiannually on each February 15 and August 15, beginning on August 15, 2017.
(2) Interest on the convertible notes is payable quarterly on February 15, May 15, August 15, and November 15 of each year, beginning on November 15, 2017.
(3) Represents the discount created by separating the conversion option from the debt host instrument.
(4) Interest on the corporate debt is payable January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018.
(5) Interest on the corporate debt is payable January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2019.

The following table presents the contractual maturities of Senior Secured Notes, Convertible Notes, and Corporate debt:

(In Thousands)	December 31, 2020
2021	$ 50,000
2022	180,000
2023	115,000
2024	—
2025	—
Thereafter	104,250
Total contractual amounts	**$ 449,250**
Unamortized deferred financing costs, discounts, and premiums, net	(6,473)
Total carrying amount of debt components	**$ 442,777**

Note 13. Guaranteed loan financing

Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment in the consolidated balance sheets and the portion sold is recorded as guaranteed loan financing in the liabilities section of the consolidated balance sheets. For these partial loan sales, the interest earned on the entire loan balance is recorded as interest income and the interest earned by the buyer in the partial loan sale is recorded within interest expense in the accompanying consolidated statements of income.

The following table presents guaranteed loan financing and the related interest rates and maturity dates:

(In Thousands)	Weighted Average Interest Rate	Range of Interest Rates	Range of Maturities (Years)	Ending Balance
December 31, 2020	3.76 %	0.99 - 6.50 %	2021 - 2044	$ 401,705
December 31, 2019	5.45 %	1.70 - 7.50 %	2020 - 2044	$ 485,461

The following table summarizes contractual maturities of total guaranteed loan financing outstanding:

(In Thousands)	December 31, 2020
2021	395
2022	1,420
2023	2,340
2024	3,429
2025	3,689
Thereafter	390,432
Total	**$ 401,705**

Our guaranteed loan financings are secured by loans of $403.0 million and $487.2 million as of December 31, 2020 and 2019, respectively.

Note 14. Variable interest entities and securitization activities

In the normal course of business, we enter into certain types of transactions with entities that are considered to be VIEs. Our primary involvement with VIEs has been related to our securitization transactions in which we transfer assets to securitization trusts. We primarily securitize our acquired and originated loans, which provides a source of funding for us and has enabled us to transfer a certain portion of the economic risk of the loans or related debt securities to third parties. We also transfer originated loans to securitization trusts sponsored by third parties, most notably Freddie Mac. Third-party securitizations are securitization entities in which we maintain an economic interest but do not sponsor. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The majority of the VIEs in which we have been involved in are consolidated within our financial statements. See Note 3 for a discussion of our accounting policies applied to the consolidation of the VIE and transfer of the loans in connection with the securitization.

Securitization-related VIEs

Company sponsored securitizations. In a securitization transaction, assets are transferred to a trust, which generally meets the definition of a VIE. Our primary securitization activity is in the form of SBC and SBA loan securitizations, conducted through securitization trusts which we consolidate, as we determined that we are the primary beneficiary.

For financial statement reporting purposes, since the underlying trust is consolidated, the securitization is effectively viewed as a financing of the loans that were securitized to enable the senior security to be created and sold to a third-party investor. As such, the senior security is presented in the consolidated balance sheets as securitized debt obligations of consolidated VIEs. The third-party beneficial interest holders in the VIE have no recourse against the Company, except that the Company has an obligation to repurchase assets from the VIE in the event that certain representations and warranties in relation to the loans sold to the VIE are breached. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

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

The consolidation of the securitization transactions includes the senior securities issued to third parties which are shown as securitized debt obligations of consolidated VIEs in the consolidated balance sheets. The following table presents additional information on the Company's securitized debt obligations:

	December 31, 2020			December 31, 2019		
(In Thousands)	Current Principal Balance	Carrying value	Weighted Average Interest Rate	Current Principal Balance	Carrying value	Weighted Average Interest Rate
Waterfall Victoria Mortgage Trust 2011-SBC2	$ 4,055	$ 4,055	5.5 %	$ 6,399	$ 6,399	5.5 %
ReadyCap Lending Small Business Trust 2019-2	103,030	101,468	3.1	131,032	129,007	4.3
Sutherland Commercial Mortgage Trust 2017-SBC6	27,035	26,555	3.6	42,309	41,486	3.4
Sutherland Commercial Mortgage Trust 2018-SBC7	79,302	78,168	4.7	138,235	136,212	4.7
Sutherland Commercial Mortgage Trust 2019-SBC8	178,911	176,307	2.9	219,617	216,981	2.9
Sutherland Commercial Mortgage Trust 2020-SBC9	131,729	129,014	3.8	—	—	—
ReadyCap Commercial Mortgage Trust 2014-1	10,880	10,858	5.8	18,626	18,632	5.6
ReadyCap Commercial Mortgage Trust 2015-2	45,075	35,183	4.8	64,239	61,443	4.5
ReadyCap Commercial Mortgage Trust 2016-3	26,371	25,286	4.7	32,269	30,777	4.7
ReadyCap Commercial Mortgage Trust 2018-4	94,273	91,098	4.0	121,179	117,428	3.9
ReadyCap Commercial Mortgage Trust 2019-5	229,232	220,605	4.2	309,296	299,273	4.1
ReadyCap Commercial Mortgage Trust 2019-6	359,266	348,773	3.2	379,400	371,939	3.2
Ready Capital Mortgage Financing 2018-FL2	48,979	48,975	2.4	115,381	114,057	3.8
Ready Capital Mortgage Financing 2019-FL3	229,440	227,950	2.0	267,904	264,249	3.5
Ready Capital Mortgage Financing 2020-FL4	324,219	318,385	3.1	—	—	—
Total [1]	**$ 1,891,797**	**$ 1,842,680**	**3.3 %**	**$ 1,845,886**	**$ 1,807,883**	**3.7 %**

(1) Excludes non-company sponsored securitized debt obligations of $63.1 million and $7.3 million that are consolidated in the consolidated balance sheets as of December 31, 2020 and December 31, 2019, respectively.

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

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

Other VIEs

Other VIEs include a variable interest that we hold in an acquired joint venture investment that we account for as an equity method investment. We do not consolidate these entities because we do not have the power to direct the activities that most significantly impact their economic performance, we only account for our specific interest in them.

Assets and liabilities of consolidated VIEs

The following table presents securitized assets and liabilities of VIEs consolidated on our consolidated balance sheets:

(In Thousands)	December 31, 2020	December 31, 2019
Assets:		
Cash and cash equivalents	$ 20	$ 23
Restricted cash	13,790	8,301
Loans, net	2,472,807	2,326,199
Loans, held for sale, at fair value	—	4,434
Real estate, held for sale	4,456	—
Due from servicers	10,995	27,964
Accrued interest	16,675	11,565
Total assets	**$ 2,518,743**	**$ 2,378,486**
Liabilities:		
Securitized debt obligations of consolidated VIEs, net	1,905,749	1,815,154
Total liabilities	**$ 1,905,749**	**$ 1,815,154**

Assets of unconsolidated VIEs

The following table reflects our variable interests in identified VIEs, of which we are not the primary beneficiary:

	Carrying Amount		Maximum Exposure to Loss (1)	
(In Thousands)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Mortgage backed securities, at fair value(2)	$ 80,690	$ 66,108	$ 80,690	$ 66,108
Investment in unconsolidated joint ventures	28,290	58,850	28,290	58,850
Total assets in unconsolidated VIEs	**$ 108,980**	**$ 124,958**	**$ 108,980**	**$ 124,958**

(1) Maximum exposure to loss is limited to the greater of the fair value or carrying value of the assets as of the consolidated balance sheet date.
(2) Retained interest in Freddie Mac sponsored securitizations.

Note 15. Interest income and interest expense

Interest income expense are recorded in the consolidated statements of income and classified based on the nature of the underlying asset or liability.

The following table presents the components of interest income and expense:

(In Thousands)	Year Ended December 31, 2020	2019	2018
Interest income			
Loans			
Originated Transitional loans	$ 88,271	$ 69,217	$ 48,499
Originated SBC loans	57,134	51,617	24,948
Acquired loans	57,471	63,879	46,154
Acquired SBA 7(a) loans	18,251	20,687	32,278
Originated SBA 7(a) loans	20,434	11,409	4,428
Originated SBC loans, at fair value	1,938	1,383	3,599
Originated Residential Agency loans	149	75	51
Total loans (1)	**$ 243,648**	**$ 218,267**	**$ 159,957**
Held for sale, at fair value, loans			
Originated Residential Agency loans	$ 7,532	$ 4,328	$ 3,747
Originated Freddie loans	1,193	1,008	1,428
Acquired loans	166	217	153
Total loans, held for sale, at fair value (1)	**$ 8,891**	**$ 5,553**	**$ 5,328**
Mortgage backed securities, at fair value	**$ 6,097**	**$ 6,096**	**$ 4,214**
Total interest income	**$ 258,636**	**$ 229,916**	**$ 169,499**
Interest expense			
Secured borrowings	$ (45,430)	$ (49,009)	$ (35,481)
Securitized debt obligations of consolidated VIEs	(78,029)	(69,152)	(36,988)
Guaranteed loan financing	(18,399)	(5,125)	(11,613)
Senior secured note	(13,870)	(13,920)	(13,702)
Convertible note	(8,752)	(8,752)	(8,748)
Corporate debt	(11,001)	(5,922)	(2,706)
Total interest expense	**$ (175,481)**	**$ (151,880)**	**$ (109,238)**
Net interest income before provision for loan losses	**$ 83,155**	**$ 78,036**	**$ 60,261**

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

Note 16. Derivative instruments

The Company is exposed to changing interest rates and market conditions, which affect cash flows associated with borrowings. The Company uses derivative instruments to manage interest rate risk and conditions in the commercial mortgage market and, as such, views them as economic hedges. Interest rate swaps are used to mitigate the exposure to changes in interest rates and involve the receipt of variable-rate interest amounts from a counterparty in exchange for making payments based on a fixed interest rate over the life of the swap contract. CDS are executed in order to mitigate the risk of deterioration in the current credit health of the commercial mortgage market. IRLCs are entered into with customers who have applied for residential mortgage loans and meet certain underwriting criteria. These commitments expose GMFS to market risk if interest rates change and if the loan is not economically hedged or committed to an investor.

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

As described in Note 3, for qualifying cash flow hedges, the entire change in the fair value of the derivative is recorded in OCI and recognized in the consolidated statements of income when the hedged cash flows affect earnings. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item, primarily interest expense. The ineffective portions of the cash flow hedges are immediately recognized in earnings.

The following tables summarize the Company’s use of derivatives and their effect in the consolidated financial statements. Notional amounts included in the table are the average notional amounts on the consolidated balance sheet dates. We believe these are the most relevant measure of volume or derivative activity as they best represent the Company’s exposure to underlying instruments.

The following table summarizes our derivatives, by type:

(In Thousands)	Primary Underlying Risk	As of December 31, 2020 Notional Amount	Asset Derivatives Fair Value	Liability Derivatives Fair Value	As of December 31, 2019 Notional Amount	Asset Derivatives Fair Value	Liability Derivatives Fair Value
Interest rate lock commitments	Interest rate risk	$ 614,358	$ 16,363	$ —	$ 238,283	$ 2,814	$ —
Interest Rate Swaps - not designated as hedges	Interest rate risk	160,801	—	(952)	63,501	—	(2,665)
Interest Rate Swaps - designated as hedges	Interest rate risk	132,325	—	(5,701)	158,325	—	(1,709)
TBA Agency Securities	Interest rate risk	565,000		(4,004)	227,500	—	(516)
Credit Default Swaps	Credit risk	15,000	—	(174)	15,000	—	(110)
FX forwards	Foreign exchange rate risk	3,866	—	(773)	15,000	—	(250)
Total		**$ 1,491,350**	**$ 16,363**	**$ (11,604)**	**$ 717,609**	**$ 2,814**	**$ (5,250)**

The following tables summarize the gains and losses on the Company's derivatives:

(In Thousands)	Year Ended December 31, 2020 Net Realized (Loss)	Net Change in Unrealized Gain (Loss)	Year Ended December 31, 2019 Net Realized (Loss)	Net Change in Unrealized Gain (Loss)
Credit default swaps [1]	$ —	$ (65)	$ —	$ (404)
Interest rate swaps [1][2]	(3,981)	(7,297)	(6,221)	(1,747)
TBA Agency Securities [3]	—	(3,527)	—	483
Interest rate lock commitments [3]	—	13,589	—	1,038
FX forwards [1]	(1,017)	(523)	—	(250)
Total	**$ (4,998)**	**$ 2,177**	**$ (6,221)**	**$ (880)**

(1) Gains (losses) are recorded in net unrealized gain (loss) on financial instruments or net realized gain (loss) on financial instruments in the consolidated statements of income.
(2) For qualifying hedges of interest rate risk, the effective portion relating to the unrealized gain (loss) on derivatives are recorded in accumulated other comprehensive income (loss).
(3) Gains (losses) are recorded in residential mortgage banking activities in the consolidated statements of income.

The following table summarizes the gains and losses on the Company's derivatives which have qualified for hedge accounting:

(In Thousands)	Derivatives - effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income [2]	Total income statement impact	Derivatives-effective portion recorded in OCI [3]	Total change in OCI for period [3]
Hedge type:					
Interest rate - forecasted transactions [1]					
Year Ended December 31, 2020	**$ (1,359)**	**$ (1,694)**	**$ (3,053)**	**$ (4,579)**	**$ (1,526)**
Year Ended December 31, 2019	**$ (513)**	**$ —**	**$ (513)**	**$ (6,237)**	**$ (5,724)**

(1) Consists of benchmark interest rate hedges of LIBOR-indexed floating-rate liabilities.
(2) Hedge ineffectiveness is the amount by which the cumulative gain or loss on the designated derivative instrument exceeds the present value of the cumulative expected change in cash flows on the hedged item attributable to the hedged risk.
(3) Represents after tax amounts recorded in OCI.

Note 17. Real estate, held for sale

The following table summarizes the carrying amount of the Company's real estate holdings as of the consolidated balance sheet dates:

(In Thousands)	December 31, 2020	December 31, 2019
Acquired ORM Portfolio:		
Retail	$ 18,700	$ 19,950
Mixed Use	14,248	17,478
Land	7,256	7,919
Lodging/Residential	3,230	6,280
Office	—	1,256
Total Acquired ORM REO	**$ 43,434**	**$ 52,883**
Other REO held for sale:		
Office	$ 829	$ 4,465
Retail	660	660
SBA	425	286
Mixed Use	—	279
Total Other REO[1]	**$ 1,914**	**$ 5,690**
Total Real Estate, held for sale	**$ 45,348**	**$ 58,573**

(1) Excludes $4.5 million of real estate, held for sale within consolidated VIEs.

Note 18. Agreements and transactions with related parties

Management Agreement

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

Management fee. Pursuant to the terms of the Management Agreement, our Manager is paid a management fee calculated and payable quarterly in arrears equal to 1.5% per annum of the Company's stockholders' equity (as defined in the Management Agreement) up to $500 million and 1.00% per annum of stockholders' equity in excess of $500 million. Concurrently with entering into the Merger Agreement, we, our operating partnership and our Manager entered into the First Amendment to the Amended and Restated Management Agreement (the "Amendment"). The Amendment provides that, contingent upon the closing of the Merger, the Manager's base management fee will be reduced by $1,000,000 per quarter for each of the first full four quarters following the effective time of the Merger (the "Temporary Fee Reduction"). Other than the Temporary Fee Reduction set forth in the Amendment, the terms of the Management Agreement remain the same.

The following table presents certain information on the management fee payable to our Manager:

	For the Year Ended December 31,	
	2020	2019
Management fee - total	$ 10.7 million	$ 9.6 million
Management fee - amount unpaid	$ 2.7 million	$ 2.6 million

Incentive distribution. Our Manager is entitled to an incentive distribution in an amount equal to the product of (i) 15% and (ii) the excess of (a) distributable earnings (which is referred to as core earnings in the partnership agreement or the operating partnership) on a rolling four-quarter basis over (b) an amount equal to 8.00% per annum multiplied by the weighted average of the issue price per share of the common stock or OP units multiplied by the weighted average number of shares of common stock outstanding, provided that distributable earnings over the prior twelve calendar quarters (or the period since the closing of the ZAIS Merger, whichever is shorter) is greater than zero. For purposes of determining the incentive distribution payable to our Manager, distributable earnings is defined under the partnership agreement of the operating partnership in a manner that is similar to the definition of Distributable Earnings described below under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" included in this quarterly report on Form 10-Q but with the following additional adjustments which (i) further exclude: (a) the incentive distribution, (b) non-cash equity compensation expense, if any, (c) unrealized gains or losses on SBC loans (not just MBS and MSRs), (d) depreciation and amortization (to the extent we foreclose on any property), and (e) one-time events pursuant to changes in U.S. GAAP and certain other non-cash charges after discussions between our Manager and our independent directors and after approval by a majority of the independent directors and (ii) add back any realized gains or losses on the sales of MBS and on discontinued operations which were excluded from the definition of distributable earnings described under "Non-GAAP Financial Measures".

The following table presents certain information on the incentive fee payable to our Manager:

	For the Year Ended December 31,	
	2020	2019
Incentive fee distribution - total	$ 6.0 million	$ 0.1 million
Incentive fee distribution - amount unpaid	$ 1.3 million	$ 0.1 million

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

obligated to make a termination payment to the Manager, the operating partnership shall repurchase, concurrently with such termination, the Class A special unit for an amount equal to three times the average annual amount of the incentive distribution paid or payable in respect of the Class A special unit during the 24 month period immediately preceding such termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination.

The current term of the Management Agreement will expire on October 31, 2021 and is automatically renewed for successive one-year terms on each anniversary thereafter; provided, however, that either the Company, under the certain limited circumstances described above that would require the Company and the operating partnership to make the payments described above, or the Manager may terminate the Management Agreement annually upon 180 days prior notice.

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

The following table presents certain information on reimbursable expenses payable to our Manager:

	For the Year Ended December 31,	
	2020	2019
Reimbursable expenses payable to our Manager - total	$ 8.4 million	$ 7.0 million
Reimbursable expenses payable to our Manager - amount unpaid	$ 5.3 million	$ 4.2 million

Note 19. Other assets and other liabilities

The following table details the Company's other assets and other liabilities as of the consolidated balance sheet dates.

(In Thousands)	December 31, 2020	December 31, 2019
Other assets:		
Deferred tax asset	$ 18,396	$ 31,803
Tax receivable	—	4,019
Deferred loan exit fees	13,940	13,039
Accrued interest	12,656	10,583
Goodwill	11,206	11,206
Due from servicers	11,171	10,127
Right-of-use lease asset	3,172	4,531
Intangible assets	6,986	8,309
Deferred financing costs	2,612	2,046
Other assets	9,364	11,262
Other assets	**$ 89,503**	**$ 106,925**
Accounts payable and other accrued liabilities:		
Deferred tax liability	$ 16,839	$ 18,757
Accrued salaries, wages and commissions	35,724	21,146
Accrued interest payable	19,695	17,305
Servicing principal and interest payable	7,318	14,145
Repair and denial reserve	9,557	5,179
Payable to related parties	4,088	2,697
Accrued professional fees	1,365	1,809
Lease payable	3,670	4,618
Deferred PPP loan revenue	10,700	—
Other liabilities	26,699	11,751
Total accounts payable and other accrued liabilities	**$ 135,655**	**$ 97,407**

Intangible assets

The following table presents information about the intangible assets held by the Company:

(In Thousands)	December 31, 2020	December 31, 2019	Estimated Useful Life
Internally developed software - Knight Capital	$ 3,061	$ 3,694	6 years
Broker network - Knight Capital	889	1,156	4.5 years
SBA license	1,000	1,000	Indefinite life
Favorable lease	768	905	12 years
Trade name - Knight Capital	709	855	6 years
Trade name - GMFS	559	699	15 years
Total Intangible Assets	**$ 6,986**	**$ 8,309**	

Amortization expense related to the intangible assets previously acquired for the years ended December 31, 2020 and 2019 was $1.3 million and $0.5 million, respectively. Such amounts are recorded as other operating expenses in the consolidated statements of income.

At December 31, 2020, accumulated amortization for finite-lived intangible assets is as follows:

(In Thousands)	December 31, 2020
Favorable lease	$ 712
Trade name - GMFS	664
Internally developed software - Knight Capital	739
Broker network - Knight Capital	311
Trade name - Knight Capital	171
Total Accumulated Amortization	**$ 2,597**

Amortization expense related to the finite-lived intangible assets for the five years subsequent to 2020 is as follows:

(In Thousands)	December 31, 2020
2021	1,295
2022	1,268
2023	1,242
2024	1,032
2025	787
Thereafter	362
Total	**$ 5,986**

Loan indemnification reserve

A liability has been established for potential losses related to representations and warranties made by GMFS for loans sold with a corresponding provision recorded for loan indemnification losses. The liability is included in accounts payable and other accrued liabilities in the Company's consolidated balance sheets and the provision for loan indemnification losses is included in variable expenses on residential mortgage banking activities, in the Company's consolidated statements of income. In assessing the adequacy of the liability, management evaluates various factors including historical repurchases and indemnifications, historical loss experience, known delinquent and other problem loans, outstanding repurchase demand, historical rescission rates and economic trends and conditions in the industry. Actual losses incurred are reflected as a reduction of the reserve liability. At December 31, 2020 and 2019, the loan indemnification reserve was $4.1 million and $2.1 million, respectively.

Because of the uncertainty in the various estimates underlying the loan indemnification reserve, there is a range of losses in excess of the recorded loan indemnification reserve that is reasonably possible. The estimate of the range of possible losses for representations and warranties does not represent a probable loss, and is based on current available information, significant judgment, and a number of assumptions that are subject to change. At December 31, 2020 and 2019, the reasonably possible loss above the recorded loan indemnification reserve was not considered material.

Note 20. Other income and operating expenses

Paycheck protection program

On March 27, 2020, the U.S. Congress approved, and former President Trump signed into law, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act provides approximately $2 trillion in financial assistance to individuals and businesses resulting from the outbreak of COVID-19. The CARES Act, among other things, provides certain measures to support individuals and businesses in maintaining solvency through monetary relief in the form of financing and loan forgiveness and/or forbearance. The primary catalyst of small business stimulus in the CARES Act is referred to as the Paycheck Protection Program (“PPP”), an SBA loan that temporarily supports businesses in order to retain their workforce during the COVID-19 pandemic. Through the CARES Act, the initiative calls for existing SBA lenders to extend loans to small businesses to cover payroll, occupancy and operating expenses through the PPP. Furthermore, the PPP includes a 100% guarantee from the federal government for loans up to $10 million and principal forgiveness for borrowers if the funds are used primarily for retaining employees. Beginning in April 2020 the Company, as one of fourteen non-bank SBA lenders, emerged as a prominent player in the market, facilitating access for small

businesses to PPP loans throughout the United States. In the aggregate, the Company has facilitated the fundings of approximately $2.7 billion of loans through this program.

Based on pricing set forth by the SBA, processing fees paid to PPP lenders are based on the outstanding balance of the note and are tiered as follows:
• 5% for loans of not more than $350,000;
• 3% percent for loans of more than $350,000 and less than $2,000,000; and
• 1% percent for loans of at least $2,000,000

During April 2020, the Company funded loans totaling approximately $114.7 million in outstanding balance, through our online loan application platform. The Company has elected fair value option for these loans that are held-for-investment. As a result of these activities, the Company recognized approximately $5.2 million in processing fees based on the outstanding loan balance of loans originated during April 2020.

On April 28, 2020, the Company entered into a Lender Service Provider ("LSP") agreement with a third-party. Under this agreement, the Company agreed to provide the following services:

a. assistance and services to the third-party in the underwriting, marketing, processing and funding of loans
b. processing forgiveness of the loans with the SBA
c. servicing and management of subsequently resulting PPP loan portfolios

The Company received a fee for providing such services, which represents one-half of the total fees received by the third-party from the SBA, less any agent fees paid directly by the third-party for referrals. The Company sourced and underwrote approximately $2.5 billion of PPP loans, which were sold to the third-party as part of the LSP agreement, for $43.3 million in total fees. $27.8 million of the total fees have been recognized at the time of origination, and the remaining $15.5 million are recognized as servicing and forgiveness are performed. As of December 31, 2020, $10.7 million of fees were unearned.

The following tables present details about the Company's financial position related to its PPP activities:

(In Thousands)	December 31, 2020
Assets	
Restricted cash	$ 178
PPP loans, at fair value	74,931
Other assets	
Prepaid expenses	77
PPP fee receivable	18
Accrued interest receivable	510
Total PPP related assets	**$ 75,714**
Liabilities	
Secured borrowings	$ 76,276
Interest payable	104
Deferred LSP revenue	10,700
Accrued PPP related costs	498
Payable to third parties	2,716
Repair and denial reserve	3,305
Total PPP related liabilities	**$ 93,599**

(In Thousands)	Year Ended December 31, 2020	Financial statement account
Income		
LSP origination fees	$ 27,768	Other income - origination fees
PPP processing fees	5,162	Other income - origination fees
LSP fee income	4,829	Servicing income
Interest income	739	Interest income
Total PPP related income	**$ 38,498**	
Expense		
Direct operating expenses	$ 9,600	Other operating expenses - origination costs
R&D reserve	3,305	Other income - change in repair and denial reserve
Interest expense	2,174	Interest expense
Total PPP related expenses (direct)	**$ 15,079**	
Net PPP related income	**$ 23,419**	

Other income and expenses

The following table details the Company's other income and operating expenses for the consolidated statements of income.

	For the Year Ended December 31,		
(In Thousands)	**2020**	**2019**	**2018**
Other income			
Origination income	$ 40,836	$ 5,860	$ 4,590
Change in repair and denial reserve	(4,133)	345	163
Other	4,813	4,873	833
Total other income	**$ 41,516**	**$ 11,078**	**$ 5,586**
Other operating expenses			
Origination costs	$ 19,815	$ 10,168	$ 7,752
Technology expense	6,722	4,834	3,624
Impairment on real estate	3,520	1,317	1,086
Rent and property tax expense	5,006	4,310	2,524
Recruiting, training and travel expense	1,419	2,352	2,287
Marketing expense	1,970	2,052	2,433
Loan acquisition costs	722	575	1,458
Financing costs on purchased future receivables	1,495	376	—
Other	13,700	7,178	7,583
Total other operating expenses	**$ 54,369**	**$ 33,162**	**$ 28,747**

Note 21. Stockholders' Equity

Common stock dividends

The following table presents cash dividends declared by our board of directors on our common stock from January 1, 2019 through December 31, 2020:

Declaration Date	**Record Date**	**Payment Date**	**Dividend per Share**
March 12, 2019	March 28, 2019	April 30, 2019	$ 0.40
June 11, 2019	June 28, 2019	July 31, 2019	$ 0.40
September 10, 2019	September 30, 2019	October 31, 2019	$ 0.40
December 11, 2019	December 31, 2019	January 31, 2020	$ 0.40
March 11, 2020	March 31, 2020	April 30, 2020	$ 0.40 (1)
June 15, 2020	June 30, 2020	July 31, 2020	$ 0.25
September 16, 2020	September 30, 2020	October 30, 2020	$ 0.30
December 14, 2020	December 31, 2020	January 29, 2021	$ 0.35

(1) Dividends paid in a combination of cash, not to exceed 20% in the aggregate, and common stock.

Stock incentive plan

The Company currently maintains the 2012 equity incentive plan ("the 2012 Plan"). The 2012 Plan authorizes the Compensation Committee to approve grants of equity-based awards to our officers, directors, and employees of our Manager and its affiliates. The equity incentive plan provides for grants of equity-based awards up to an aggregate of 5% of the shares of the Company's common stock issued and outstanding from time to time on a fully diluted basis.

The Company's current policy for issuing shares upon settlement of stock-based incentive awards is to issue new shares. The fair value of the RSUs and RSAs granted, which is determined based upon the stock price on the grant date, is recorded as compensation expense on a straight-line basis over the vesting periods for the awards, with an offsetting increase in stockholders' equity.

The following table summarizes the Company's RSU and RSA activity for the year ended December 31, 2020:

	Restricted Stock Awards		
(In Thousands, except share data)	**Number of Shares**	**Grant date fair value**	**Weighted-average grant date fair value (per share)**
Outstanding, January 1	1,009,617	$ 15,722	$ 15.57
Granted	208,514	3,298	15.82
Vested	(60,370)	(894)	14.81
Outstanding, March 31, 2020	**1,157,761**	**$ 18,126**	**$ 15.66**
Vested	(16,452)	(227)	13.78
Outstanding, June 30, 2020	**1,141,309**	**$ 17,900**	**$ 15.68**
Granted	17,200	200	11.63
Vested	(26,602)	(320)	12.03
Forfeited	(2,258)	(37)	16.26
Outstanding, September 30, 2020	**1,129,649**	**$ 17,743**	**$ 15.71**
Vested	(254,521)	(3,958)	15.55
Canceled	(3,049)	(48)	15.86
Outstanding, December 31, 2020	**872,079**	**$ 13,737**	**$ 15.75**

During the years ended December 31, 2020 and 2019, the Company recognized $5.4 million and $1.5 million, respectively of noncash compensation expense related to its stock-based incentive plan in our consolidated statements of income, respectively.

At December 31, 2020 and 2019, approximately $13.7 million and $15.7 million, respectively of noncash compensation expense related to unvested awards had not yet been charged to net income. These costs are expected to be amortized into compensation expense ratably over the course of the remainder of the respective vesting periods.

Note 22. Earnings per Share of Common Stock

The following table provides information on the basic and diluted earnings per share computations, including the number of shares of common stock used for purposes of these computations.

	Year Ended December 31,		
(In Thousands, except for share and per share amounts)	**2020**	**2019**	**2018**
Basic Earnings			
Net income (loss)	$ 46,069	$ 75,056	$ 61,457
Less: Income (loss) attributable to non-controlling interest	1,199	2,088	2,199
Less: Income attributable to participating shares	1,392	653	217
Basic earnings	**$ 43,478**	**$ 72,315**	**$ 59,041**
Diluted Earnings			
Net income (loss)	$ 46,069	$ 75,056	$ 61,457
Less: Income (loss) attributable to non-controlling interest	1,199	2,088	2,199
Less: Income attributable to participating shares	1,392	653	217
Diluted earnings	**$ 43,478**	**$ 72,315**	**$ 59,041**
Number of Shares			
Basic — Average shares outstanding	53,736,523	42,011,750	32,085,975
Effect of dilutive securities — Unvested participating shares	81,855	35,898	16,209
Diluted — Average shares outstanding	**53,818,378**	**42,047,648**	**32,102,184**
Earnings Per Share Attributable to RC Common Stockholders:			
Basic	$ 0.81	$ 1.72	$ 1.84
Diluted	$ 0.81	$ 1.72	$ 1.84

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

Additionally, as of December 31, 2020, there are potential shares of common stock contingently issuable upon the conversion of the Convertible Notes in the future. The Company has asserted its intent and ability to settle the principal amount of the Convertible Notes in cash. Based on this assessment, the Company determined that it would be appropriate to apply a method similar to the treasury stock method, such that contingently issuable common stock is assessed quarterly along with our other potentially dilutive instruments. In order to compute the dilutive effect, the number of shares included in the denominator of diluted EPS is determined by dividing the “conversion spread value” of the share-settled portion (value above accreted value of face value and interest component) of the instrument by the share price. The “conversion spread value” is the value that would be delivered to investors in shares based on the terms of the bond upon an assumed conversion. As of December 31, 2020, the conversion spread value is currently zero, since the closing price of our common stock does not exceed the conversion rate (strike price) and is “out-of-the-money”, resulting in no impact on diluted EPS.

Certain investors own OP units in our operating partnership. An OP unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the operating partnership. OP unit holders have the right to redeem their OP units, subject to certain restrictions. The redemption is required to be satisfied in shares of common stock or cash at the Company's option, calculated as follows: one share of the Company's common stock, or cash equal to the fair value of a share of the Company's common stock at the time of redemption, for each OP unit. When an OP unit holder redeems an OP unit, non-controlling interests in the operating partnership is reduced and the Company's equity is increased. At December 31, 2020 and 2019, the non-controlling interest OP unit holders owned 1,175,205 and 1,117,169 OP units, respectively.

Note 23. Offsetting assets and liabilities

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an International Swaps and Derivatives Association ("ISDA") Master Agreement with multiple derivative counterparties. An ISDA Master Agreement, published by ISDA, is a bilateral trading agreement between two parties that allow both parties to enter into over-the-counter ("OTC"), derivative contracts. The ISDA Master Agreement contains a Schedule to the Master Agreement and a Credit Support Annex, which governs the maintenance, reporting, collateral management and default process (netting provisions in the event of a default and/or a termination event). Under an ISDA Master Agreement, the Company may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default, including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to terminate derivative contracts prior to maturity in the event the Company's stockholders' equity declines by a stated percentage or the Company fails to meet the terms of its ISDA Master Agreements, which would cause the Company to accelerate payment of any net liability owed to the counterparty. As of December 31, 2020 and 2019 and for the periods then ended, the Company was in good standing on all of its ISDA Master Agreements or similar arrangements with its counterparties.

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

In accordance with ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, the Company is required to disclose the impact of offsetting of assets and liabilities represented in the consolidated balance sheets to enable users of the consolidated financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities. These recognized assets and liabilities are financial instruments and derivative instruments that are either subject to enforceable master netting arrangements or ISDA Master Agreements or meet the following right of setoff criteria: (a) the amounts owed by the Company to another party are determinable, (b) the Company has the right to set off the amounts owed with the amounts owed by the counterparty, (c) the Company intends to offset, and (d) the Company's right of offset is enforceable at law. As of December 31, 2020 and 2019, the Company has elected to offset assets and liabilities associated with its OTC derivative contracts in the consolidated balances sheets.

The following tables provide disclosure regarding the effect of offsetting the Company's recognized assets and liabilities presented in the consolidated balance sheets:

(in thousands)	Gross amounts of recognized Assets / Liabilities	Gross amounts offset in the Consolidated Balance Sheets	Amounts presented in the Consolidated Balance Sheets	Gross amounts not offset in the Consolidated Balance Sheets[1]		
				Financial Instruments	Cash Collateral Received / Paid	Net Amount
December 31, 2020						
Assets						
Derivative instruments - Interest rate lock commitments	16,363	—	16,363	—	—	16,363
Total	**$ 16,363**	**$ —**	**$ 16,363**	**$ —**	**$ —**	**$ 16,363**
Liabilities						
Derivative instruments - Interest rate swaps	$ 11,670	$ 5,017	$ 6,653	$ —	$ 6,653	$ —
Derivative instruments - Credit default swaps	174	—	174	—	174	—
Derivative instruments - TBA Agency Securities	4,004	—	4,004	—	—	4,004
Derivative instruments - FX forwards	773		773	—	—	773
Secured borrowings	1,370,519	—	1,370,519	1,370,519	—	—
Total	**$ 1,387,140**	**$ 5,017**	**$ 1,382,123**	**$ 1,370,519**	**$ 6,827**	**$ 4,776**
December 31, 2019						
Assets						
Derivative instruments - Interest rate lock commitments	$ 2,814	$ —	$ 2,814	$ —	$ 2,814	$ —
Total	**$ 2,814**	**$ —**	**$ 2,814**	**$ —**	**$ 2,814**	**$ —**
Liabilities						
Derivative instruments - Interest rate swaps	$ 4,374	$ —	$ 4,374	$ —	$ 4,374	$ —
Derivative instruments - TBA Agency Securities	516		516		—	516
Derivative instruments - Credit default swaps	110	—	110	—	110	—
Derivative instruments - FX forwards	250	—	250	—	250	—
Secured borrowings	1,189,392	—	1,189,392	1,189,392	—	—
Total	**$ 1,194,642**	**$ —**	**$ 1,194,642**	**$ 1,189,392**	**$ 4,734**	**$ 516**

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

Note 24. Financial instruments with off-balance sheet risk, credit risk, and certain other risks

In the normal course of business, the Company enters into transactions in various financial instruments that expose us to various types of risk, both on and off balance sheet. Such risks are associated with financial instruments and markets in which the Company invests. These financial instruments expose us to varying degrees of market risk, credit risk, interest rate risk, liquidity risk, off balance sheet risk and prepayment risk.

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

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

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

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

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

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

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

Off-Balance Sheet Risk —The Company has undrawn commitments on outstanding loans which are disclosed in Note 25.

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

Our operating results will depend, in part, on differences between the income from our investments and our financing costs. Generally, our debt financing is based on a floating rate of interest calculated on a fixed spread over the relevant index, subject to a floor, as determined by the particular financing arrangement. In the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in credit losses to us, which could materially and adversely affect our business, financial condition, liquidity, results of operations and prospects.

Furthermore, such defaults could have an adverse effect on the spread between our interest-earning assets and interest-bearing liabilities.

Additionally, non-performing SBC loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing SBC loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates. A rising rate environment often means an improving economy, which might have a positive impact on commercial property values, resulting in increased gains on the disposition of these assets.

While rising rates could make it more costly to refinance these assets, we expect that the impact of this would be mitigated by higher property values. Moreover, small business owners are generally less interest rate sensitive than large commercial property owners, and interest cost is a relatively small component of their operating expenses. An improving economy will likely spur increased property values and sales, thereby increasing the need for SBC financing.

Prepayment Risk — As we receive prepayments of principal on our investments, premiums paid on such investments will be amortized against interest income. In general, an increase in prepayment rates will accelerate the amortization of purchase premiums, thereby reducing the interest income earned on the investments and this is also affected by interest rate movements. Conversely, discounts on such investments are accreted into interest income. In general, an increase in prepayment rates will accelerate the accretion of purchase discounts, thereby increasing the interest income earned on the investments. An increase in prepayment rates will also adversely affect the fair value of our MSRs.

Note 25. Commitments, contingencies and indemnifications

Litigation

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

Unfunded Loan Commitments

As of December 31, 2020 and 2019, unfunded loan commitments for SBC loans were as follows:

(In Thousands)	December 31, 2020	December 31, 2019
Loans, net	$ 285,389	$ 128,719
Loans, held for sale at fair value	$ 7,809	$ 6,982

Commitments to Originate Loans

GMFS enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose GMFS to market risk if interest rates change, and the loan is not economically hedged or committed to an investor. GMFS is also exposed to credit loss if the loan is originated and not sold to an investor and the borrower does not perform.

Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. As of December 31, 2020 and 2019, total commitments to originate loans were as follows:

(In Thousands)	December 31, 2020	December 31, 2019
Commitments to originate residential agency loans	$ 575,600	$ 190,806

Note 26. Income Taxes

The Company is a REIT pursuant to Internal Revenue Code Section 856. Our qualification as a REIT depends on our ability to meet various requirements imposed by the Internal Revenue Code, which relate to our organizational structure, diversity of stock ownership and certain requirements with regard to the nature of our assets and the sources of our income. As a REIT, we generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four taxable years. As of December 31, 2020 and 2019, we are in compliance with all REIT requirements.

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

During 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the Consolidated Appropriations Act of 2021 (the "CAA") were signed into law. Among other things, the provisions of these laws relate to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, and technical corrections to tax depreciation methods for qualified improvement property. As of December 31, 2020, we have recognized a benefit of $2.7 million due to changes in net operating loss carryback provisions which allow net operating losses from tax years beginning in 2018, 2019, or 2020 to be carried back for five years. We will continue to monitor the impacts on our business due to legislative developments related to the COVID-19 pandemic.

Our income tax provision consists of the following:

	Year Ended December 31,		
(In Thousands)	**2020**	**2019**	**2018**
Current			
Federal income tax (benefit)	$ (1,795)	$ 523	$ 356
State and local income tax (benefit)	57	47	169
Net current tax provision (benefit)	(1,738)	570	525
Deferred			
Federal income tax (benefit)	8,776	(9,739)	1,167
State and local income tax (benefit)	1,346	(1,383)	(306)
Net deferred tax provision (benefit)	10,122	(11,122)	861
Total income tax provision (benefit)	**$ 8,384**	**$ (10,552)**	**$ 1,386**

The following table is a reconciliation of our federal income tax determined using our statutory federal tax rate to our reported income tax provision for the years ended December 31, 2020 and 2019:

	Year Ended December 31,			
(In Thousands)	**2020**		**2019**	
U.S. statutory tax	$ 12,381	21.0 %	$ 13,579	21.0 %
State and local income tax (benefit)	1,716	2.9	(1,717)	(2.6)
Income attributable to REIT	(3,090)	(5.3)	(19,641)	(30.4)
Income attributable to Non-controlling interests	(67)	(0.1)	(462)	(0.7)
Nondeductible	(242)	(0.4)	(2,692)	(4.2)
Change in tax rate / Deferred true-up	(91)	(0.2)	381	0.6
NOL carryback rate impact	(2,702)	(4.6)	—	—
Current write-off	479	0.8	—	—
Effective income tax (benefit)	**$ 8,384**	**14.1 %**	**$ (10,552)**	**(16.3)%**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are presented net by tax jurisdiction and are reported in other assets and other liabilities, respectively. The following table presents the tax effects of temporary differences on their respective net deferred tax assets and liabilities:

	Year Ended December 31,	
(In Thousands)	**2020**	**2019**
Deferred tax assets:		
Net operating loss carryforwards	$ 12,893	$ 23,277
Unrealized losses	313	40
Accruals	723	2,917
Depreciation and amortization	1,185	1,379
Goodwill	3,171	3,702
Compensation	—	248
Other	111	240
Total deferred tax assets	**$ 18,396**	**$ 31,803**
Deferred tax liabilities:		
Loan / servicing rights balance	$ 11,600	$ 17,793
Derivative instruments	3,868	439
Other taxable temporary difference	1,371	525
Total deferred tax liabilities	**$ 16,839**	**$ 18,757**
Net deferred tax assets (liabilities)	**$ 1,557**	**$ 13,046**

The Company has approximately $43.0 million of federal and $100.0 million of state net operating loss carryforwards that will begin to expire in 2033.

We recognize deferred tax assets and liabilities for the future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under GAAP and their respective tax bases. We evaluate our deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including our historical profitability and projections of future taxable income.
As of December 31, 2020, we continued to conclude that the positive evidence in favor of the recoverability of our deferred tax asset outweighed the negative evidence and that it is more likely than not that our deferred tax assets will be realized. Our framework for assessing the recoverability of deferred tax assets requires us to weigh all available evidence, including the sustainability of recent profitability required to realize the deferred tax assets, the cumulative net income in our consolidated statements of income in recent years, the future reversals of existing taxable temporary differences, and the carryforward periods for any carryforwards of net operating losses.

The difference between the statutory rate of 21% and the effective income tax rate is primarily due to state and local taxes.

As of December 31, 2020 and 2019, the Company had no uncertain tax positions recorded or disclosed in the financial statements. Additionally, it is the belief of management that the total amount of uncertain tax positions, if any, will not materially change over the next 12 months.

Our major tax jurisdictions where we file income tax returns include Federal, New York State and New York City. Our 2017 and forward tax years are subject to examination. The TRS major tax jurisdictions are Federal, Louisiana, New York City, New Jersey and California. For Federal and state purposes, with the exception of New Jersey, the TRS entities are subject to examination for the 2017 and forward tax years. For New Jersey, the TRS entities are subject to examination for the 2016 and forward tax years.

Note 27. Segment reporting

The Company reports its results of operations through the following four business segments: i) *Acquisitions*, ii) *SBC Originations*, iii) *SBA Originations, Acquisitions and Servicing*, and iv) *Residential Mortgage Banking*. The Company's organizational structure is based on a number of factors that the Chief Operating Decision Maker ("CODM"), the Chief Executive Officer, uses to evaluate, view, and run its business operations, which includes customer base and nature of loan program types. The segments are based on this organizational structure and the information reviewed by the CODM and management to evaluate segment results.

Acquisitions
Through the acquisitions segment, the Company acquires performing and non-performing SBC loans and intends to continue to acquire these loans as part of the Company's business strategy. The Company also acquires purchased future receivables through our Knight Capital platform.

SBC originations
Through the SBC originations segment, the Company originates SBC loans secured by stabilized or transitional investor properties using multiple loan origination channels. Additionally, as part of this segment, we originate and service multi-family loan products under the Freddie Mac program. This segment also reflects the impact of our SBC securitization activities.

SBA originations, acquisitions, and servicing
Through the SBA originations, acquisitions, and servicing segment, the Company acquires, originates and services loans guaranteed by the SBA under the SBA Section 7(a) Program. This segment also reflects the impact of our SBA securitization activities.

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

Corporate- Other
Corporate - Other consists primarily of unallocated corporate financing, including interest expense relating to our senior secured and convertible notes on funds yet to be deployed, allocated employee compensation from our Manager, management and incentive fees paid to our Manager and other general corporate overhead expenses.

Results of business segments and all other. Reportable business segments, along with remaining unallocated amounts recorded within Corporate- Other, for the year ended December 31, 2020 are summarized in the below table.

(In Thousands)	Loan Acquisitions	SBC Originations	SBA Originations, Acquisitions, and Servicing	Residential Mortgage Banking	Corporate-Other	Consolidated
Interest income	$ 61,156	$ 150,369	$ 39,430	$ 7,681	$ —	$ 258,636
Interest expense	(43,383)	(95,061)	(27,472)	(8,294)	(1,271)	(175,481)
Net interest income before provision for loan losses	**$ 17,773**	**$ 55,308**	**$ 11,958**	**$ (613)**	**$ (1,271)**	**$ 83,155**
(Provision for) recovery of loan losses	(3,502)	(23,432)	(7,792)	—	—	(34,726)
Net interest income after (provision for) recovery of loan losses	**$ 14,271**	**$ 31,876**	**$ 4,166**	**$ (613)**	**$ (1,271)**	**$ 48,429**
Non-interest income						
Residential mortgage banking activities	$ —	$ —	$ —	$ 252,720	$ —	$ 252,720
Net realized gain on financial instruments and real estate owned	(5,077)	18,426	18,564	—	—	31,913
Net unrealized gain (loss) on financial instruments	(7,189)	(2,574)	(1,084)	(37,254)	—	(48,101)
Other income	7,240	4,431	29,473	183	189	41,516
Servicing income	723	2,265	10,377	25,229	—	38,594
Income on purchased future receivables, net of allowance for doubtful accounts	15,711	—	—	—	—	15,711
Income (loss) on unconsolidated joint ventures	2,404	—	—	—	—	2,404
Total non-interest income	**$ 13,812**	**$ 22,548**	**$ 57,330**	**$ 240,878**	**$ 189**	**$ 334,757**
Non-interest expense						
Employee compensation and benefits	$ (9,491)	$ (14,137)	$ (19,516)	$ (45,368)	$ (3,408)	$ (91,920)
Allocated employee compensation and benefits from related party	(700)	—	—	—	(6,300)	(7,000)
Variable expenses on residential mortgage banking activities	—	—	—	(114,510)	—	(114,510)
Professional fees	(1,796)	(1,224)	(993)	(1,777)	(7,570)	(13,360)
Management fees – related party	—	—	—	—	(10,682)	(10,682)
Incentive fees – related party	—	—	—	—	(5,973)	(5,973)
Loan servicing expense	(6,017)	(8,373)	(675)	(15,754)	(37)	(30,856)
Merger related expenses	—	—	—	—	(63)	(63)
Other operating expenses	(16,259)	(13,582)	(12,550)	(8,737)	(3,241)	(54,369)
Total non-interest expense	**$ (34,263)**	**$ (37,316)**	**$ (33,734)**	**$ (186,146)**	**$ (37,274)**	**$ (328,733)**
Income (loss) before provision for income taxes	**$ (6,180)**	**$ 17,108**	**$ 27,762**	**$ 54,119**	**$ (38,356)**	**$ 54,453**
Total assets	**$ 1,189,825**	**$ 2,621,478**	**$ 734,196**	**$ 626,035**	**$ 200,561**	**$ 5,372,095**

Reportable segments for the year ended December 31, 2019 are summarized in the below table.

(In Thousands)	Loan Acquisitions	SBC Originations	SBA Originations, Acquisitions, and Servicing	Residential Mortgage Banking	Corporate-Other	Consolidated
Interest income	$ 65,922	$ 127,495	$ 32,096	$ 4,403	$ —	$ 229,916
Interest expense	(40,502)	(90,677)	(14,864)	(5,837)	—	(151,880)
Net interest income before provision for loan losses	**$ 25,420**	**$ 36,818**	**$ 17,232**	**$ (1,434)**	**$ —**	**$ 78,036**
(Provision for) recovery of loan losses	(808)	(319)	(2,557)	—	—	(3,684)
Net interest income after provision for loan losses	**$ 24,612**	**$ 36,499**	**$ 14,675**	**$ (1,434)**	**$ —**	**$ 74,352**
Non-interest income						
Residential mortgage banking activities	$ —	$ —	$ —	$ 83,539	$ —	$ 83,539
Net realized gain (loss) on financial instruments	18	13,750	15,190	—	—	28,958
Net unrealized gain (loss) on financial instruments	(254)	(107)	393	(18,569)	(253)	(18,790)
Other income	4,210	4,907	1,548	249	164	11,078
Income on purchased future receivables, net	2,362	—	—	—	—	2,362
Servicing income	798	1,898	5,330	22,639	—	30,665
Income on unconsolidated joint ventures	6,088	—	—	—	—	6,088
Gain on bargain purchase	—	—	—	—	30,728	30,728
Total non-interest income	**$ 13,222**	**$ 20,448**	**$ 22,461**	**$ 87,858**	**$ 30,639**	**$ 174,628**
Non-interest expense						
Employee compensation and benefits	$ (1,855)	$ (6,905)	$ (16,255)	$ (22,882)	$ (3,340)	$ (51,237)
Allocated employee compensation and benefits from related party	(547)	—	—	—	(4,926)	(5,473)
Variable expenses on residential mortgage banking activities	—	—	—	(51,760)	—	(51,760)
Professional fees	(723)	(1,652)	(1,011)	(1,101)	(2,947)	(7,434)
Management fees – related party	—	—	—	—	(9,578)	(9,578)
Incentive fees – related party	—	—	—	—	(106)	(106)
Loan servicing expense	(4,662)	(5,695)	(261)	(7,225)	(133)	(17,976)
Merger related expenses	—	—	—	—	(7,750)	(7,750)
Other operating expenses	(4,573)	(11,199)	(6,591)	(7,717)	(3,082)	(33,162)
Total non-interest expense	**$ (12,360)**	**$ (25,451)**	**$ (24,118)**	**$ (90,685)**	**$ (31,862)**	**$ (184,476)**
Income (loss) before provision for income taxes	**$ 25,474**	**$ 31,496**	**$ 13,018**	**$ (4,261)**	**$ (1,223)**	**$ 64,504**
Total assets	**$ 1,264,226**	**$ 2,492,156**	**$ 760,031**	**$ 330,363**	**$ 130,242**	**$ 4,977,018**

Reportable segments for the year ended December 31, 2018 are summarized in the below table.

(In Thousands)	Acquisitions	SBC Originations	SBA Originations, Acquisitions, and Servicing	Residential Mortgage Banking	Corporate-Other	Consolidated
Interest income	$ 47,243	$ 81,752	$ 36,706	$ 3,798	$ —	$ 169,499
Interest expense	(28,946)	(60,879)	(16,218)	(3,195)	—	(109,238)
Net interest income before provision for loan losses	**$ 18,297**	**$ 20,873**	**$ 20,488**	**$ 603**	**$ —**	**$ 60,261**
Provision for loan losses	(1,727)	(13)	39	—	—	(1,701)
Net interest income after provision for loan losses	**$ 16,570**	**$ 20,860**	**$ 20,527**	**$ 603**	**$ —**	**$ 58,560**
Non-interest income						
Residential mortgage banking activities	$ —	$ —	$ —	$ 59,852	$ —	$ 59,852
Net realized gain (loss) on financial instruments	5,023	17,482	15,904	—	—	38,409
Net unrealized gain (loss) on financial instruments	(1,156)	142	173	5,694	—	4,853
Servicing income	20	1,396	5,390	20,269	—	27,075
Income on unconsolidated joint venture	12,148	—	—	—	—	12,148
Other income	368	4,366	621	200	31	5,586
Total non-interest income	**$ 16,403**	**$ 23,386**	**$ 22,088**	**$ 86,015**	**$ 31**	**$ 147,923**
Non-interest expense						
Employee compensation and benefits	(386)	(8,815)	(13,077)	(33,401)	(923)	(56,602)
Allocated employee compensation and benefits from related party	(420)	—	—	—	(3,780)	(4,200)
Variable expenses on residential mortgage banking activities	—	—	—	(22,228)	—	(22,228)
Professional fees	(1,310)	(1,285)	(820)	(607)	(2,977)	(6,999)
Management fees – related party	—	—	—	—	(8,176)	(8,176)
Incentive fees – related party	—	—	—	—	(1,143)	(1,143)
Loan servicing expense	(3,926)	(3,883)	(260)	(7,444)	(32)	(15,545)
Other operating expenses	(3,214)	(10,392)	(4,070)	(8,254)	(2,817)	(28,747)
Total non-interest expense	**$ (9,256)**	**$ (24,375)**	**$ (18,227)**	**$ (71,934)**	**$ (19,848)**	**$ (143,640)**
Income (loss) before provision for income taxes	**$ 23,717**	**$ 19,871**	**$ 24,388**	**$ 14,684**	**$ (19,817)**	**$ 62,843**
Total Assets	**$ 644,512**	**$ 1,606,210**	**$ 455,513**	**$ 260,523**	**$ 70,085**	**$ 3,036,843**

Note 28. Quarterly Financial Data (Unaudited)

The following table summarizes our quarterly financial data which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations (amounts in thousands, except per share amounts):

	March 31	June 30	September 30	December 31
2020				
Net interest income after provision for loan losses	$ (17,183)	$ 20,394	$ 21,482	$ 23,749
Non-interest income	22,523	120,927	107,906	83,406
Non-interest expense	(64,793)	(101,158)	(87,471)	(75,328)
Net income	(51,516)	34,663	35,363	27,559
Net income attributable to Ready Capital Corporation	(50,452)	33,853	34,558	26,911
Earnings per share - Basic	$ (0.98)	$ 0.62	$ 0.63	$ 0.49
Earnings per share - Diluted	$ (0.98)	$ 0.62	$ 0.63	$ 0.49
Dividends declared per share of common stock	$ 0.40	$ 0.25	$ 0.30	$ 0.35
2019				
Net interest income after provision for loan losses	$ 12,460	$ 19,933	$ 19,640	$ 22,319
Non-interest income	56,266	32,956	39,984	45,422
Non-interest expense	(41,279)	(44,600)	(49,842)	(48,755)
Net income	30,450	11,245	12,427	20,934
Net income attributable to Ready Capital Corporation	29,467	10,969	12,104	20,428
Earnings per share - Basic	$ 0.90	$ 0.25	$ 0.27	$ 0.43
Earnings per share - Diluted	$ 0.90	$ 0.25	$ 0.27	$ 0.43
Dividends declared per share of common stock	$ 0.40	$ 0.40	$ 0.40	$ 0.40

Annual amounts may not equal the sum of each quarter due to rounding and other computational factors.

Note 29. Supplemental Financial Data

Summarized financial information of our unconsolidated subsidiaries

In accordance with the SEC's Regulation S-X and GAAP, the Company had certain unconsolidated subsidiaries as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 that met at least one of the significance conditions under the SEC's Regulation S-X. Accordingly, pursuant to Rule 4-08 of Regulation S-X, summarized, comparative financial information is presented below for our significant unconsolidated subsidiaries, which include WFLLA, LLC, which the Company has a 50% interest, and Girod HoldCo, LLC, in which WFLLA, LLC holds a 49.9% interest. Pursuant to the consolidation guidance, it is determined the Company's interest in WFLLA, LLC is a VIE however, the entity is not consolidated as we are not the primary beneficiary.

The Company's proportional ownership interest in unconsolidated subsidiaries reflected in Investments in unconsolidated joint ventures within the Balance Sheet is detailed in the tables below:

	December 31, 2020		December 31, 2019	
(In Thousands)	**Girod HoldCo, LLC**	**WFLLA, LLC**	**Girod HoldCo, LLC**	**WFLLA, LLC**
Cash	$ 9,746	$ 4,947	$ 22,585	$ 11,270
Loans, held-for-investment	92,053	45,934	103,751	51,772
Real estate owned	12,701	6,338	7,929	3,957
Other assets	429	214	487	239
Total Assets	**$ 114,929**	**$ 57,433**	**$ 134,752**	**$ 67,238**
Accounts payable and other accrued liabilities	$ 80	$ 52	$ 72	$ 36
Other liabilities	1,606	801	4,076	2,034
Total Liabilities	**$ 1,686**	**$ 853**	**$ 4,148**	**$ 2,070**

The Company's proportional ownership interest in unconsolidated subsidiaries reflected in Income on unconsolidated joint ventures within the Statements of Income is detailed in the tables below:

	Year Ended December 31, 2020		Year Ended December 31, 2019		Year Ended December 31, 2018	
(In Thousands)	**Girod HoldCo, LLC**	**WFLLA, LLC**	**Girod HoldCo, LLC**	**WFLLA, LLC**	**Girod HoldCo, LLC**	**WFLLA, LLC**
Interest income	$ 2,372	$ 1,184	$ 6,922	$ 3,454	$ 21,182	$ 10,570
Realized gains (losses)	(40)	(20)	5,218	2,604	27,310	13,628
Unrealized gains (losses)	(3,456)	(1,725)	15,286	7,628	8,191	4,087
Servicing expense and other	(4,359)	(2,175)	(5,996)	(2,999)	(7,972)	(3,989)
Income (loss) before provision for income taxes	**$ (5,483)**	**$ (2,736)**	**$ 21,430**	**$ 10,687**	**$ 48,711**	**$ 24,296**

	Year Ended December 31,		
(In Thousands)	**2020**	**2019**	**2018**
Income (loss) on unconsolidated joint ventures			
WFLLA, LLC	$ (1,368)	$ 5,344	$ 12,148
Other unconsolidated joint ventures	3,772	744	—
Income (loss) on unconsolidated joint ventures	**$ 2,404**	**$ 6,088**	**$ 12,148**

Note 30. Subsequent events

As of March 15, 2021, the Company has facilitated the fundings of over $1 billion of loans through the U.S. Small Business Administration's Paycheck Protection Program ("PPP"). Through the CARES Act, the initiative calls for existing SBA lenders to extend loans to small businesses to cover payroll, occupancy and operating expenses through the PPP. Furthermore, the PPP includes a 100% guarantee from the federal government for loans up to $2 million and principal forgiveness for borrowers if the funds are used primarily for retaining employees. In addition, the 7(a) program's loan guarantee rate has increased from 85% for loans of $150,000 or less and 75% for loans greater than $150,000 (up to a maximum guarantee of $3.75 million and 75% of $5 million) to 90% throughout 2021.

On February 10, 2021, the Company completed the issuance of a public offering of $201.3 million in 5.75% senior notes due 2026. The Company intends to use the net proceeds from this offering to redeem the outstanding aggregate principal amount of our 6.50% Senior Notes due 2021. The Company intends to use the remainder of the net proceeds for general business purposes, including to fund the Company's small balance commercial origination and acquisition pipelines.

Ready Capital Corporation
Schedule IV – Mortgage Loans on Real Estate

There are no individual loans that exceed 3% of the total carrying amount of all mortgages. The following table discloses the Company's mortgage loans on real estate, categorized by product type:

Product Type	UPB Grouping	Loan Count	Interest Rate	Maturity Date	Carrying Value	UPB	UPB of loans subject to delinquent principal or interest
Acquired loans							
	0 - 500k	1574	1.00 - 11.50%	2004 - 2039	$ 317,851	$ 321,809	$ 27,596
	500k - 1mm	295	2.66 - 10.25%	2020 - 2038	202,853	203,428	9,644
	1mm - 1.5mm	95	1.00 - 9.50%	2019 - 2038	114,776	115,586	6,116
	1.5mm - 2mm	43	3.50 - 7.38%	2020 - 2037	73,974	74,002	3,206
	2mm - 2.5mm	24	1.48 - 8.00%	2020 - 2037	54,201	54,240	4,585
	> 2.5mm	51	3.23 - 11.00%	2019 - 2030	282,964	285,113	21,989
Total Acquired loans		**2,082**			**$ 1,046,619**	**$ 1,054,178**	**$ 73,136**
Acquired SBA 7(a) loans							
	0 - 500k	884	0.00 - 8.75%	2017 - 2041	$ 96,731	$ 112,074	$ 9,058
	500k - 1mm	115	3.50 - 7.50%	2014 - 2041	74,325	79,703	6,254
	1mm - 1.5mm	30	3.75 - 7.50%	2026 - 2042	34,022	35,873	1,376
	1.5mm - 2mm	2	6.00 - 6.00%	2037 - 2042	3,445	3,563	-
	2mm - 2.5mm	3	5.00 - 6.00%	2037 - 2040	6,753	6,777	-
	> 2.5mm	7	4.75- 5.25%	2035 - 2042	24,162	24,581	-
Total Acquired SBA 7(a) loans		**1,041**			**$ 239,438**	**$ 262,571**	**$ 16,688**
Originated transitional loans							
	0 - 500k	37	4.35 - 6.95%	2021 - 2024	$ 4,119	$ 4,120	$ -
	500k - 1mm	9	5.00 - 9.25%	2020 - 2027	6,136	6,112	679
	1mm - 1.5mm	14	4.54 - 7.21%	2021 - 2025	17,722	17,858	-
	1.5mm - 2mm	11	4.85 - 6.66%	2020 - 2026	18,655	19,061	1,982
	2mm - 2.5mm	9	4.67 - 6.40%	2021 - 2022	19,464	19,584	-
	> 2.5mm	137	3.56 - 8.83%	2020 - 2024	1,252,978	1,261,660	34,897
Total Originated transitional loans		**217**			**$ 1,319,074**	**$ 1,328,395**	**$ 37,558**
Originated Freddie Mac loans							
	500k - 1mm	2	3.27 - 3.37%	2041 - 2041	$ 2,060	$ 2,000	$ -
	1mm - 1.5mm	3	3.31 - 3.53%	2031 - 2041	4,066	3,952	-
	1.5mm - 2mm	3	2.97 - 3.53%	2031 - 2041	5,973	5,816	-
	2mm - 2.5mm	2	3.16 - 3.48%	2041 - 2041	4,831	4,742	-
	> 2.5mm	9	2.96 - 3.74%	2041 - 2041	34,318	33,898	-
Total Originated Freddie loans		**19**			**$ 51,248**	**$ 50,408**	**$ -**
Originated Residential Agency loans							
	0 - 500k	1130	1.75- 6.13%	2031 - 2051	$ 246,022	$ 235,930	$ 2,892
	500k - 1mm	25	2.13 - 4.99%	2036 - 2051	14,217	13,757	-
	1mm - 1.5mm	3	2.63 - 4.99%	2051 - 2051	3,416	3,373	-
Total Originated Residential Agency loans		**1,158**			**$ 263,655**	**$ 253,060**	**$ 2,892**
Originated SBA 7(a) loans							
	0 - 500k	500	0.00 - 7.75%	2023 - 2046	$ 103,482	$ 109,225	$ 3,099
	500k - 1mm	118	4.50 - 6.00%	2026 - 2046	83,155	86,778	4,309
	1mm - 1.5mm	58	4.50 - 6.00%	2027 - 2045	68,215	69,221	-
	1.5mm - 2mm	20	4.75 - 6.00%	2028 - 2044	33,956	34,569	-
	2mm - 2.5mm	11	4.50 - 5.50%	2028 - 2046	25,114	25,186	-
	> 2.5mm	23	4.50 - 6.00%	2041 - 2044	71,101	71,846	-
Total Originated SBA 7(a) loans		**730**			**$ 385,023**	**$ 396,825**	**$ 7,408**
Originated SBC loans							
	0 - 500k	16	4.69 - 5.96%	2021 - 2043	$ 5,035	$ 4,952	$ -
	500k - 1mm	42	4.50 - 6.52%	2021 - 2030	34,535	34,011	-
	1mm - 1.5mm	49	4.59 - 7.15%	2019 - 2030	60,596	59,997	6,606
	1.5mm - 2mm	45	4.25 - 7.15%	2019 - 2032	77,776	78,158	4,827
	2mm - 2.5mm	29	4.60 - 6.06%	2022 - 2030	65,559	65,696	2,085
	> 2.5mm	140	4.12 - 8.00%	2019 - 2038	830,905	827,741	46,056
Total Originated SBC loans		**321**			**$ 1,074,406**	**$ 1,070,555**	**$ 59,574**
Originated SBC loans, at fair value							
	1mm - 1.5mm	1	6.38 - 6.38%	2026 - 2026	$ 1,473	$ 1,376	$ -
	1.5mm - 2mm	1	5.25 - 5.25%	2027 - 2027	1,598	1,556	-
	> 2.5mm	2	6.68 - 7.75%	2020 - 2020	10,724	11,156	-
Total Originated SBC loans, at fair value		**4**			**$ 13,795**	**$ 14,088**	**$ -**
Originated PPP loans, at fair value							
	0 - 500k	1037	1.00 - 1.00%	2022 - 2022	$ 70,381	$ 70,381	$ -
	500k - 1mm	4	1.00 - 1.00%	2022 - 2022	2,908	2,908	-
	1.5mm - 2mm	1	1.00 - 1.00%	2022 - 2022	1,642	1,642	-
Total Originated PPP loans, at fair value		**1,042**			**$ 74,931**	**$ 74,931**	**$ -**
General Allowance for Loan Losses					**(29,539)**		
Total Loans		**6,614**			**$ 4,438,650**	**$ 4,505,011**	**$ 197,256**

Reconciliation of mortgage loans on real estate:
The following tables reconcile mortgage loans on real estate, including loans in consolidated VIEs, from December 31, 2018 to December 31, 2020 ($ in thousands):

($ in Thousands)	Loans, net	Loans, held for sale, at fair value	Total Loan Receivables
Balance at December 31, 2017	$ 1,854,100	$ 216,022	$ 2,070,122
Origination of loan receivables	934,607	2,407,492	3,342,099
Purchases of loan receivables	369,418	17,481	386,899
Proceeds from disposition and principal payment of loan receivables	(746,162)	(2,586,724)	(3,332,886)
Net realized gain (loss) on sale of loan receivables	(5,454)	63,067	57,613
Net unrealized gain (loss) on loan receivables	(720)	(2,401)	(3,121)
Accretion/amortization of discount, premium and other fees	14,474	-	14,474
Transfers	(503)	503	-
Transfers to real estate, held for sale	(3,693)	(182)	(3,875)
Provision for loan losses	(1,701)	-	(1,701)
Balance at December 31, 2018	**$ 2,414,366**	**$ 115,258**	**$ 2,529,624**
Origination of loan receivables	1,307,143	2,621,324	3,928,467
Purchases of loan receivables	739,002	9,149	748,151
Proceeds from disposition and principal payment of loan receivables	(826,702)	(2,628,521)	(3,455,223)
Loans acquired as part of ORM merger transaction	130,449	-	130,449
Net realized gain (loss) on sale of loan receivables	(5,700)	76,274	70,574
Net unrealized gain (loss) on loan receivables	760	289	1,049
Accretion/amortization of discount, premium and other fees	14,194	-	14,194
Loans consolidated as part of RCLT 2019-2 transaction	463,177	-	463,177
Payment of guaranteed loan financing	(177,815)	-	(177,815)
Transfers	1,262	(1,262)	-
Transfers to real estate, held for sale	(2,269)	-	(2,269)
Provision for loan losses	(3,684)	-	(3,684)
Balance at December 31, 2019	**$ 4,054,183**	**$ 192,511**	**$ 4,246,694**
CECL Day 1 adjustment	(7,527)	-	(7,527)
Origination of loan receivables	774,581	5,076,936	5,851,517
Purchases of loan receivables	277,170	-	277,170
Proceeds from disposition and principal payment of loan receivables	(962,404)	(5,152,861)	(6,115,265)
Loans acquired as part of ORM merger transaction	-	-	-
Net realized gain (loss) on sale of loan receivables	(5,069)	218,809	213,740
Net unrealized gain (loss) on loan receivables	(1,105)	5,607	4,502
Accretion/amortization of discount, premium and other fees	8,434	-	8,434
Foreign currency gain (loss), net	4,509	-	4,509
Payment of guaranteed loan financing	-	-	-
Transfers	714	(714)	-
Transfers to real estate, held for sale	(11,339)	-	(11,339)
Provision for loan losses	(33,785)	-	(33,785)
Balance at December 31, 2020	**$ 4,098,362**	**$ 340,288**	**$ 4,438,650**

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this annual report on Form 10-K. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures, as designed and implemented, were effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, the Company's management used criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on its assessment, the Company's management believes that, as of December 31, 2020, the Company's internal control over financial reporting was effective based on those criteria.

Changes in Internal Control over Financial Reporting

There have been no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Our company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of our company's internal control over financial reporting. Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this annual report on Form 10-K.

Item 9B. Other Information
None noted.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information regarding our executive officers required by Item 401 of Regulation S-K is located under Part I, Item 1 within the caption "Executive Officers of the Company" of this annual report on Form 10-K.

The information regarding our directors and certain other matters required by Item 401 of Regulation S-K is incorporated herein by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders (the "Proxy Statement"), to be filed with the SEC within 120 days after December 31, 2020.

The information regarding compliance with Section 16(a) of the Exchange Act required by Item 405 of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

The information regarding our Code of Business Conduct and Ethics required by Item 406 of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

The information regarding certain matters pertaining to our corporate governance required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

Item 11. Executive Compensation

The information regarding executive compensation and other compensation related matters required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The tables on our equity compensation plan information and beneficial ownership required by Items 201(d) and 403 of Regulation S-K are incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information regarding transactions with related persons, promoters and certain control persons and director independence required by Items 404 and 407(a) of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2020.

Item 14. Principal Accountant Fees and Services

The information concerning principal accounting fees and services and the Audit Committee's pre-approval policies and procedures required by Item 14 is incorporated herein by reference to the Proxy Statement to be filed with the U.S. Securities and Exchange Commission within 120 days after December 31, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of the report

The following documents are filed as part of this annual report on Form 10-K:

(1) Financial Statements:

Our consolidated financial statements, together with the independent registered public accounting firm's report thereon, are set forth on pages 107 through 168 of this annual report on Form 10-K and are incorporated herein by reference. See Item 8, "Financial Statements and Supplementary Data," filed herewith, for a list of financial statements.

(2) Financial Statement Schedule:

All financial statement schedules have been omitted because the required information is not applicable or deemed not material, or the required information is presented in the consolidated financial statements and/or in the notes to consolidated financial statements filed in response to Item 8 of this annual report on Form 10-K.

(3) Exhibits Files:

Exhibit number	Exhibit description
2.1*	Agreement and Plan of Merger, by and among Ready Capital Corporation, ReadyCap Merger Sub LLC and Owens Realty Mortgage, Inc., dated as of November 7, 2018 (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed November 9, 2018)
2.2*	Agreement and Plan of Merger, dated as of December 6, 2020, by and among Ready Capital Corporation, RC Merger Subsidiary, LLC and Anworth Mortgage Asset Corporation (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed December 8, 2020)
3.1*	Articles of Amendment and Restatement of ZAIS Financial Corp. (incorporated by reference to Exhibit 3.1 of the Registrant’s Form S-11, as amended (Registration No. 333-185938)
3.2*	Articles Supplementary of ZAIS Financial Corp. (incorporated by reference to Exhibit 3.2 of the Registrant’s Form S-11, as amended (Registration No. 333-185938)
3.3*	Articles of Amendment and Restatement of Sutherland Asset Management Corporation (incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed November 4, 2016)
3.4*	Articles of Amendment of Ready Capital Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on September 26, 2018)
3.5*	Amended and Restated Bylaws of Ready Capital Corporation (incorporated by reference to Exhibit 3.2 to the Registrant’s Form 8-K filed on September 26, 2018)
4.1*	Specimen Common Stock Certificate of Ready Capital Corporation (incorporated by reference to Exhibit 4.1 to the Registrant’s Form S-4 filed on December 13, 2018)
4.2*	Indenture, dated February 13, 2017, by and among ReadyCap Holdings, LLC, as issuer, Sutherland Asset Management Corporation, Sutherland Partners, L.P., Sutherland Asset I, LLC and ReadyCap Commercial, LLC, each as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed February 13, 2017)

4.3*	First Supplemental Indenture, dated February 13, 2017, by and among ReadyCap Holdings, LLC, as issuer, Sutherland Asset Management Corporation, Sutherland Partners, L.P., Sutherland Asset I, LLC, ReadyCap Commercial, LLC, each as guarantors and U.S. Bank National Association, as trustee and as collateral agent, including the form of 7.5% Senior Secured Notes due 2022 and the related guarantees (incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed February 13, 2017)
4.4*	Indenture, dated as of August 9, 2017, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed August 9, 2017)
4.5*	First Supplemental Indenture, dated as of August 9, 2017, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed August 9, 2017)
4.6*	Second Supplemental Indenture, dated as of April 27, 2018, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed April 27, 2018)
4.7*	Third Supplemental Indenture, dated as of February 26, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.7 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
4.8*	Amendment No. 1, dated as of February 26, 2019, to the First Supplemental Indenture, dated as of August 9, 2017, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.8 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
4.9*	Amendment No. 1, dated as of February 26, 2019, to the Second Supplemental Indenture, dated as of April 27, 2018, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.9 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
4.10*	Fourth Supplemental Indenture, dated as of July 22, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed July 22, 2019)
4.11*	Fifth Supplemental Indenture, dated as of February 10, 2021, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed February 10, 2021)
4.12	Description of Ready Capital Corporation's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Second Amended and Restated Master Repurchase Agreement, dated June 26, 2017, between Waterfall Commercial Depositor LLC, Sutherland Asset I, LLC, Ready Cap Commercial, LLC and Citibank, N.A.
10.2	Amended and Restated Master Loan and Security Agreement, dated June 30, 2016, by and among ReadyCap Lending, LLC, as borrower, Sutherland Asset Management Corporation, as guarantor and JPMorgan Chase Bank, N.A., as lender
10.3*	Amended and Restated Management Agreement, dated as of May 9, 2016, among ZAIS Financial Corp, ZAIS Financial Partners, L.P., ZAIS Merger Sub, LLC, Sutherland Asset I, LLC, Sutherland Asset II, LLC, SAMC REO 2013-01, LLC, ZAIS Asset I, LLC, ZAIS Asset II, LLC, ZAIS Asset III, LLC, ZAIS Asset IV, LLC, ZFC Funding, Inc., ZFC Trust, ZFC Trust TRS I, LLC, and Waterfall Asset Management, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed May 9, 2016)

10.4*	First Amendment to Amended and Restated Management Agreement, dated as of December 6, 2020, by and among Ready Capital Corporation, Sutherland Partners, LP and Waterfall Asset Management, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed December 8, 2020)
10.5*	Master Repurchase Agreement, dated June 30, 2016, by and among Sutherland Asset I, LLC, Sutherland 2016-1 JPM Grantor Trust, Sutherland Asset Management Corporation and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-K filed on March 15, 2017)
10.6*	Third Amended and Restated Agreement of Limited Partnership of Sutherland Partners, L.P., dated as of March 5, 2019, by and among Ready Capital Corporation, as General Partner, and the limited partners listed on Exhibit A thereto (incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
10.7*	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed September 9, 2019)
10.8*	Ready Capital Corporation 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
10.9*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.11 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
10.10*	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.12 of the Registrant's Current Report on Form 10-K filed March 13, 2019)
10.11	Fourth Amended and Restated Master Repurchase Agreement, dated as of November 7, 2019, by and among ReadyCap Commercial, LLC, Sutherland Warehouse Trust II, Sutherland Asset I, LLC, Ready Capital Subsidiary REIT I, LLC, as sellers, U.S. Bank National Association, as depository and paying agent, and Deutsche Bank AG, New York Branch, as buyer
10.12	Third Amended and Restated Guaranty, dated as of November 7, 2019, from Sutherland Partners, L.P. to Deutsche Bank AG, New York Branch
21.1	List of Subsidiaries of Ready Capital Corporation
23.1	Consent of Deloitte & Touche LLP
24.1	Power of Attorney (included on signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Scheme Document

101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

READY CAPITAL CORPORATION

Date: March 15, 2021

By: /s/ Thomas E. Capasse
Thomas E. Capasse
Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Thomas E. Capasse, Jack J. Ross and Andrew Ahlborn, and each of them, with full power to act without the other, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Form 10-K and any and all amendments thereto, and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 15, 2021

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

Date: March 15, 2021

By: /s/ Jack J. Ross
Jack J. Ross
President and Director

Date: March 15, 2021

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

Date: March 15, 2021

By: /s/ Frank P. Filipps
Frank P. Filipps
Director

Date: March 15, 2021

By: /s/ Todd M. Sinai
Todd M. Sinai
Director

Date: March 15, 2021

By: /s/ J. Mitchell Reese
J. Mitchell Reese
Director

Date: March 15, 2021

By: /s/ Gilbert Nathan
Gilbert Nathan
Director

Date: March 15, 2021

By: /s/ Andrea Petro
Andrea Petro
Director

Exhibit 4.12

DESCRIPTION OF SECURITIES
REGISTERED UNDER SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934

DESCRIPTION OF COMMON STOCK

The following is a brief summary of the material terms of the common stock, $0.0001 par value per share, of Ready Capital Corporation ("Company," "we," "us" or "our"), registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This summary description is not meant to be complete. The particular terms of any security are subject to and qualified in their entirety by reference to Maryland law and our charter and bylaws, copies of which have been filed by us with the Securities and Exchange Commission.

Shares of Common Stock

Our charter provides that we may issue up to 500,000,000 shares of common stock, $0.0001 par value per share and 50,000,000 shares of preferred stock, $0.0001 par value per share, of which 140 shares have been designated as 12.5% Series A Cumulative Non-Voting Preferred Stock. As of December 31, 2019, we had no shares of preferred stock outstanding. Our charter authorizes our board of directors (our "Board") to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of shares of stock of any class or series without stockholder approval. Under Maryland law, our stockholders are not generally liable for our debts or obligations.

All outstanding shares of our common stock are duly authorized, validly issued, fully paid and nonassessable. Subject to the preferential rights, if any, of holders of any other class or series of our stock and to the provisions of our charter regarding the restrictions on the ownership and transfer of our stock, holders of outstanding shares of our common stock are entitled to receive dividends on such shares of common stock out of assets legally available therefor if, as and when authorized by our Board and declared by us, and the holders of outstanding shares of our common stock are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all of our known debts and liabilities.

The outstanding shares of common stock were issued by us and do not represent any interest in or obligation of Waterfall Asset Management, LLC (our "Manager") or any of its affiliates.

Holders of shares of our common stock have no preference, conversion, exchange, redemption or sinking fund rights, have no preemptive rights to subscribe for any securities of our Company and have no appraisal rights unless our Board determines that appraisal rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our charter regarding the restrictions relating to the ownership and transfer of our stock, and to the rights of any outstanding shares of our preferred stock, shares of our common stock will have equal dividend, liquidation and other rights.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of common stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of shares of common stock will possess the exclusive voting power. A plurality of the votes cast in the election of directors is sufficient to elect a director and there is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Under the Maryland General Corporation Law (the "MGCL"), a Maryland corporation generally cannot dissolve, amend its charter, merge or consolidate with, or convert into, another entity, sell all or substantially all of its assets or engage in a statutory share exchange unless the action is advised by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter, unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is specified in the corporation's charter. Our charter provides that these actions (other than amendments to the provisions of our charter related to the vote required to remove a director and the restrictions relating to the ownership and transfer of our stock and the vote required to amend these provisions, which must be declared advisable by our Board and approved by at least two-thirds of all of the votes entitled to be cast on the amendment) must be approved by a majority of all of the votes entitled to be cast on the matter.

Power to Reclassify Our Unissued Shares of Stock

Our charter authorizes our Board to classify and reclassify any unissued shares of our common or preferred stock into other classes or series of stock, including one or more classes or series of stock that have priority with respect to voting rights or dividends or upon liquidation over our common stock, and authorizes us to issue the newly-classified shares.

Prior to issuance of shares of each class or series, our Board is required by Maryland law and by our charter to set, subject to the express terms of any class or series of our stock outstanding at the time, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Our Board may take these actions without common stockholder approval unless common stockholder approval is required by the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Therefore, our Board could authorize the issuance of shares of common or preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Power to Increase or Decrease Authorized Shares of Stock and Issue Additional Shares of Common and Preferred Stock

We believe that the power of our Board to approve amendments to our charter without common stockholder approval to increase or decrease the number of authorized shares of stock, to authorize us to issue additional authorized but unissued shares of common or preferred stock and to classify or reclassify unissued shares of common or preferred stock and thereafter to authorize the issuance of such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional shares of common stock, will be available for issuance without further action by our stockholders, unless such approval is required by the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our Board does not intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a change in control or other transaction that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Restrictions on Ownership and Transfer

In order for us to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), shares of our stock must be owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which we made an election to be taxed as a REIT) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of our stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year (other than the first year for which we make an election to be taxed as a REIT).

To assist us in complying with such limitations on the concentration of ownership, among other purposes, our charter provides that, subject to the exceptions described below, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock (or the common share ownership limit), or 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of all classes and series of our capital stock (or the aggregate share ownership limit). We refer to the common share ownership limit and the aggregate share ownership limit collectively as the "ownership limit." A person or entity that becomes subject to the ownership limit by virtue of a violative transfer that results in a transfer to a trust, as described below, is referred to as a "purported transferee" if, had the violative transfer been effective, the person or entity would have been a record owner and beneficial owner or solely a beneficial owner of shares of our stock.

The constructive ownership rules under the Internal Revenue Code are complex and may cause shares of stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of all classes and series of our capital stock (or the acquisition of an interest in an entity that owns, actually or constructively, shares of our stock by an individual or entity), could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of the ownership limit.

Our Board may, in its sole discretion, subject to such conditions as it may determine and the receipt of certain representations and undertakings, prospectively or retroactively, waive the ownership limit or establish a different limit on ownership, or excepted holder limit, for a particular stockholder if the stockholder's ownership in excess of the ownership limit would not result in our Company being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise would result in us failing to qualify as a REIT. As a condition of its

waiver, our Board may, but is not required to, require an opinion of counsel or the Internal Revenue Service (the "IRS") ruling satisfactory to the Board with respect to its qualification as a REIT.

In connection with granting a waiver of the ownership limit or creating an excepted holder limit or at any other time, our Board may from time to time increase or decrease the ownership limit for all other persons and entities unless, after giving effect to such increase, five or fewer individuals could beneficially own in the aggregate, more than 49.9% in value of the shares then outstanding or our Company would be "closely held" within the meaning of Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of a taxable year) or we would otherwise fail to qualify as a REIT. A reduced ownership limit will not apply to any person or entity whose percentage ownership of our common stock or stock of all classes and series, as applicable, is in excess of such decreased ownership limit until such time as such person's or entity's percentage ownership of our common stock or stock of all classes and series, as applicable, equals or falls below the decreased ownership limit, but any further acquisition of shares of our common stock or stock of any other class or series, as applicable, in excess of such percentage ownership of our common stock or stock of all classes and series will be in violation of the ownership limit.

Our charter further prohibits:

- any person from beneficially or constructively owning, applying certain attribution rules of the Internal Revenue Code, shares of our stock that would result in our Company being "closely held" under Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause our Company to fail to qualify as a REIT; and

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate the ownership limit or any of the foregoing restrictions relating to transferability and ownership must immediately give written notice to our Company or, in the case of a proposed or attempted transaction, give at least 15 days' prior written notice and provide our Company with such other information as our Company may request in order to determine the effect of such transfer on our qualification as a REIT. The foregoing provisions on transferability and ownership will not apply if our Board determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

If any transfer of shares of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons, such transfer will be null and void and the intended transferee will acquire no rights in such shares. In addition, if any purported transfer of shares of our stock or any other event would otherwise result in any person violating the ownership limit or an excepted holder limit established by our Board or in our Company being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as a REIT, then that number of shares (rounded up to the nearest whole share) that would cause our Company to violate such restrictions will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by our Company and the intended transferee will acquire no rights in such shares. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported transferee, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary by the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or excepted holder limit or our Company being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as a REIT, then our charter provides that the transfer of the shares will be null and void and the purported transferee will acquire no rights in such shares.

Shares of stock transferred to the trustee of the charitable trust are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price paid by the purported transferee for the shares (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (2) the market price on the date we, or our designee, accepts such offer. We may reduce the amount payable to the purported transferee by the amount of dividends and other distributions which have been paid to the purported transferee and are owed by the purported transferee to the trustee. We have the right to accept such offer until the trustee of the charitable trust has sold the shares of our stock held in the trust pursuant to the clauses discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates, the trustee of the charitable trust must distribute the net proceeds of the sale to the purported transferee and any dividends or other distributions held by the trustee with respect to such shares of stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limit or the other restrictions relating to the ownership and transfer of our stock. After the sale of the shares, the interest of the charitable beneficiary in the shares transferred to the trust will terminate and the trustee must distribute to the purported transferee an amount equal to the lesser

of (1) the price paid by the purported transferee for the shares (or, if the purported transferee did not give value for the shares in connection with the event causing the shares to be held in the trust, the market price of the shares on the day of the event which resulted in the transfer of such shares of stock to the trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trust for the shares. Any net sales proceeds in excess of the amount payable to the purported transferee will be immediately paid to the beneficiary of the trust, together with any dividends or other distributions thereon. In addition, if, prior to discovery by our Company that shares of stock have been transferred to a trust, such shares of stock are sold by a purported transferee, then such shares will be deemed to have been sold on behalf of the trust and to the extent that the purported transferee received an amount for such shares that exceeds the amount that such purported transferee was entitled to receive, such excess amount will be paid to the trustee upon demand. The purported transferee has no rights in the shares held by the trustee.

The trustee of the charitable trust will be designated by our Company and will be unaffiliated with our Company and with any purported transferee. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary of the trust, all dividends and other distributions paid by our Company with respect to the shares held in trust and may also exercise all voting rights with respect to the shares held in trust. These rights will be exercised for the exclusive benefit of the beneficiary of the trust. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee will have the authority, at the trustee's sole discretion:

- to rescind as void any vote cast by a purported transferee prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if our Company has already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

In addition, if our Board determines in good faith that a proposed transfer or other event has taken place that would violate the restrictions relating to the ownership and transfer of our stock or that a person intends or has attempted to acquire beneficial or constructive ownership of stock in violation of such restrictions (whether or not such violation is intended), our Board will take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including causing our Company to redeem the shares of stock, refusing to give effect to the transfer on its books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Internal Revenue Code or the regulations promulgated thereunder) of our stock, within 30 days after the end of each taxable year, must give our Company written notice, stating the stockholder's name and address, the number of shares of each class and series of our stock that the stockholder beneficially owns and a description of the manner in which the shares are held. Each such owner must provide our Company with such additional information as our Company may request in order to determine the effect, if any, of the stockholder's beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limit. In addition, each stockholder must provide our Company with such information as our Company may request in good faith in order to determine its qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock will bear a legend referring to the restrictions described above.

These restrictions relating to ownership and transfer will not apply if our Board determines that it is no longer in our best interests to continue to qualify as a REIT.

These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC acts as our transfer agent and registrar for our shares of common stock and operating partnership units.

Our Board of Directors

Our charter and bylaws provide that the number of directors we have may be established only by our Board but may not be less than the minimum number required by the MGCL (which is one) and not more than 15. Pursuant to our charter, we have elected to be subject to the provision of Subtitle 8 of Title 3 of the MGCL regarding the filling of vacancies on our Board. Accordingly, except as may be provided by the Board in setting the terms of any class or series of preferred stock, any vacancy on the Board may be filled only

by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is duly elected and qualifies.

Removal of Directors

Our charter provides that, subject to any rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed with or without cause but only by the affirmative vote of stockholders entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our Board to fill vacancies on our Board, precludes stockholders from (i) removing incumbent directors except upon a substantial affirmative vote and (ii) filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, statutory share exchange or, in certain circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation) or an affiliate of such an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must generally be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. Our Board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our Board has by resolution exempted business combinations (i) between us and our affiliates and (ii) between us and any other person, provided that such business combination is first approved by our Board (including a majority of our directors who are not affiliates or associates of such person). Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any person described above. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance by our Company with the supermajority vote requirements and other provisions of the statute.

If our Board opted back in to the business combination statute or failed to first approve a business combination, the business combination statute may discourage others from trying to acquire control of our Company and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights with respect to such shares except to the extent approved by the affirmative vote of two-thirds of the votes entitled to be cast by holders entitled to vote generally in the election of directors, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (i) a person who makes or proposes to make a control share acquisition, (ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (A) one-tenth or more but less than one-third; (B) one-third or more but less than a majority; or (C) a majority or more of all voting power. Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A "control share acquisition" means the acquisition directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an "acquiring person statement" as described in the MGCL), may compel our Board to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an "acquiring person statement" as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or, if a meeting of stockholders is held at which the voting rights of such shares are considered and not approved, as of the date of the meeting. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to (a) shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or (b) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its Board and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder requested special meeting of stockholders.

Pursuant to our charter and bylaws, we have elected to be subject to the provision of Subtitle 8 that requires that vacancies on our Board may be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (i) require the affirmative vote of holders of shares entitled to cast at least two-thirds of all of the votes entitled to be cast generally in the election of directors for the removal of any director from the Board, with or without cause, (ii) vest in the Board the exclusive power to fix the number of directorships and (iii) require, unless called by our chairman of the Board, our chief executive officer and president or the Board, the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such a meeting to call a special meeting of stockholders. We currently do not have a classified board.

Meetings of Stockholders

Pursuant to our bylaws, a meeting of our stockholders for the election of directors and the transaction of any business will be held annually on a date and at the time set by our Board. The chairman of our Board, our chief executive officer and president or our Board may call a special meeting of our stockholders. Subject to the provisions of our bylaws, a special meeting of our stockholders to act on any matter that may properly be brought before a meeting of the stockholders will also be called by our secretary upon the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast on such matter at the meeting and containing the information required by our bylaws. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and mailing or delivering the notice of meeting (including our proxy materials), and the requesting stockholder must pay such estimated cost before our secretary is required to prepare and deliver the notice of the special meeting.

Amendment to Our Bylaws

Our Board has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our Board and the proposal of other business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our Board or (iii) by a stockholder who is a stockholder of record both at the time of giving advance notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our Board may be made only (i) by or at the direction of our Board or (ii) provided that the meeting has been called for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving advance notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of such nominee and who has complied with the advance notice provisions set forth in our bylaws.

Anti-takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change in control or other transaction that might involve a premium price for shares of our common stock or otherwise be in the best interests of our stockholders, including business combination provisions, supermajority vote requirements and advance notice requirements for director nominations and stockholder proposals. Likewise, if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL were rescinded or if we were to opt in to the classified board or other provisions of Subtitle 8, these provisions of the MGCL could have similar anti-takeover effects.

Exclusive Forum

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of any duty owed by any of our directors or officers or other employees to our Company or to our stockholders, (iii) any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws, or (iv) any action asserting a claim against us or any of our directors or officers or other employees that is governed by the internal affairs doctrine.

Indemnification and Limitation of Directors' and Officers' Liability

Maryland law permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains such a provision which eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

The MGCL requires (unless our charter provides otherwise, which our charter does not) indemnification of a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits indemnification of our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either (1) committed in bad faith or (2) the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, we may not indemnify a director or officer in a suit by us or in our right in which the director or officer was adjudged liable to us or in a suit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless in either case, a court orders indemnification and then only for expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by us; and

- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us to obligate ourselves, and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or

- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, manager, member or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and any employee or agent of our company or a predecessor of our company.

We have entered into indemnification agreements with each of our directors and officers that provide for indemnification to the maximum extent permitted by Maryland law.

REIT Qualification

Our charter provides that our Board may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

DESCRIPTION OF THE NOTES

The following description is a summary of the material provisions of the our 7.00% convertible senior note due 2023 (the "Convertible Notes"), our 6.50% senior notes due 2021 (the "2021 Notes"), our 6.20% senior notes due 2026 (the "6.20% 2026 Notes") and our 5.75% senior notes due 2026 (the "5.75% 2026 Notes), and together with the Convertible Notes, the 2021 Notes and the 6.20% 2026 Notes, the "Notes") and (solely as it applies to the Notes) the indenture, dated as of August 9, 2017, as amended by a third supplemental indenture, dated as of February 26, 2019 (the "base indenture"), between us and U.S. Bank National Association, as trustee, as supplemented (i) in the case of the Convertible Notes, by a first supplemental indenture, dated as of August 9, 2017, as amended by amendment No. 1, dated as of February 26, 2019 (the "first supplemental indenture"), (ii) in the case of the 2021 Notes, by a second supplemental indenture, dated as of April 27, 2018, as amended by amendment No. 1, dated as of February 26, 2019 (the "second supplemental indenture"), (iii) in the case of the 6.20% 2026 Notes, by a fourth supplemental indenture, dated as of July 22, 2019 (the "fourth supplemental indenture") and (iv) in the case of 5.75% 2026 Notes, by a fifth supplemental indenture, dated as of February 10, 2021 (the "fifth supplemental indenture") and does not purport to be complete. The base indenture, as supplemented by the first supplemental indenture, the second supplemental indenture, the third supplemental indenture, the fourth supplemental indenture and the fifth supplemental indenture is referred to herein as the "indenture." The terms of the Notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act. The Convertible Notes, the 2021 Notes, the 6.20% 2026 Notes and the 5.75% 2026 Notes are listed and trade on the New York Stock Exchange under the symbols "RCA," "RCP," "RCB" and "RCC" respectively.

This summary is subject to and is qualified by reference to all the provisions of the Notes and the indenture, including the definitions of certain terms used in the indenture. We urge you to read these documents because they, and not this description, define your rights as a holder of the Notes. For purposes of this description, references to "Ready Capital Corporation," "we," "our" and "us" refer only to Ready Capital Corporation and not to its subsidiaries.

THE CONVERTIBLE NOTES

General

The Convertible Notes:

- are our senior unsecured obligations and rank equal in right of payment to our other senior and unsubordinated indebtedness as described under "—Ranking";
- are initially limited to an aggregate principal amount of $100,000,000 (or $115,000,000 if the underwriters' overallotment option is exercised in full);
- bear cash interest at a rate of 7.00% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on November 15, 2017, to holders of record at the close of business on the preceding February 1, May 1, August 1 and November 1, respectively;
- are subject to purchase by us at the option of the holders following a fundamental change (as defined below under "—Fundamental Change Permits Holders to Require Us to Purchase Convertible Notes"), at a price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date;
- are subject to redemption at our option, in whole or from time to time in part, on or after August 15, 2021, as described below under "—Optional Redemption," if the last reported sale price of our common stock has been at least 120% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date;
- will mature on August 15, 2023, unless earlier converted, repurchased or redeemed;

- are issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof; and
- are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form. See "—Book-Entry, Settlement and Clearance."

Subject to fulfillment of certain conditions and during the periods described below, the Convertible Notes may be converted at a conversion rate initially equal to 1.4997 shares of common stock per $25.00 principal amount of notes (equivalent to a conversion price of approximately $16.67 per share of common stock). The conversion rate is subject to adjustment if certain events occur. See "—Conversion Rights— Conversion Rate Adjustments" and "—Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change or Notice of Redemption."

Upon conversion of a Convertible Note, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof at our election as described below under "—Conversion Rights—Settlement Upon Conversion." Holders will not receive any additional cash payment for interest or additional interest, if any, accrued and unpaid to the conversion date except under the circumstances described below under "—Conversion Rights—General."

The indenture does not limit the amount of debt which may be issued by us or our subsidiaries under the indenture or otherwise. The indenture does not contain any financial covenants and will not restrict us from paying dividends or issuing or repurchasing our other securities. Other than the restrictions described under "—Consolidation, Merger and Sale of Assets" below and except for the provisions set forth under "—Fundamental Change Permits Holders to Require Us to Purchase Notes" and "—Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change or Notice of Redemption," the indenture does not contain any covenants or other provisions designed to afford holders of the Convertible Notes protection in the event we subsequently increase our borrowings substantially or engage in a transaction that substantially increases our debt to equity ratio (each of which would be an example of a highly leveraged transaction) or in the event of a decline in our credit rating for any reason, including as a result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders.

We may, without notice to or the consent of the holders, issue additional Convertible Notes under the indenture with the same terms and with the same CUSIP number as the Convertible Notes in an unlimited aggregate principal amount; provided that such additional notes must be part of the same issue (and part of the same series) as the Convertible Notes for U.S. federal income tax purposes. We may also from time to time repurchase Convertible Notes in open market purchases or negotiated transactions without giving prior notice to holders. Any Convertible Notes purchased by us will be retired and no longer outstanding under the indenture.

The Convertible Notes do not have the benefit of a sinking fund.

Except to the extent the context otherwise requires, we use the term "Convertible Notes" in this description to refer to each $25.00 principal amount of Convertible Notes. We use the term "common stock" to refer to our common stock, par value $0.0001 per share. References in this section to a "holder" or "holders" of Convertible Notes that are held through the Depositary Trust Corporation ("DTC") are references to owners of beneficial interests in such Convertible Notes, unless the context otherwise requires. However, we and the trustee will treat the person in whose name the Convertible Notes are registered (Cede & Co., in the case of notes held through DTC) as the owner of such Convertible Notes for all purposes.

Payments on the Convertible Notes; Paying Agent and Registrar; Transfer and Exchange

We pay principal of and interest on the Convertible Notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note. We pay principal of any certificated Convertible Notes at the office or agency designated by us for that purpose. We pay interest on any certificated Convertible Note by check mailed to the address of the registered holder of such note; provided, however, that we will pay interest to any holder of more than $2,000,0000 aggregate principal amount of certificated Convertible Notes by wire transfer in immediately available funds to an account within the United States designated by such holder in a written application delivered by such person to the trustee and the

paying agent not later than the record date for the relevant interest payment, which application will remain in effect until such holder notifies the trustee and paying agent, in writing, to the contrary.

We have initially designated the trustee as our paying agent and registrar and its agency in Saint Paul, Minnesota as a place where notes may be presented for payment or for registration of transfer. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar.

A holder of Convertible Notes in global form may transfer its Convertible Notes in accordance with the applicable procedures of the depositary and the indenture. A holder of certificated Convertible Notes may transfer or exchange Convertible Notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of Convertible Notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. We are not required to transfer or exchange any Convertible Note surrendered for conversion or repurchase upon a fundamental change or redemption.

Interest

The Convertible Notes bear cash interest at a rate of 7.00% per year until maturity. Interest on the Convertible Notes accrue from the most recent date on which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, August 9, 2017 (the scheduled date of original issuance). Interest is payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on November 15, 2017 (each such date referred to herein as an interest payment date).

Interest is paid to the person in whose name a Convertible Note is registered at the close of business on the February 1, May 1, August 1 and November 1, as the case may be, immediately preceding the relevant interest payment date (each such date referred to herein as record date). Interest on the Convertible Notes are computed on the basis of a 360-day year composed of twelve 30-day months.

If any interest payment date, the maturity date, the redemption date or any fundamental change purchase date of a Convertible Note falls on a day that is not a business day, the required payment will be made on the next succeeding business day and no interest on such payment will accrue in respect of the delay. The term "business day" means any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed.

Unless the context otherwise requires, all references to interest hereby include additional interest, if any, payable at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "—Events of Default."

Ranking

The Convertible Notes:

- are senior unsecured obligations of Ready Capital Corporation;
- are not guaranteed by any of our subsidiaries, except to the extent described under "Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries";
- rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness; and
- are effectively subordinated to any of our existing and future secured indebtedness, to the extent of the value of our assets that secure such indebtedness; and
- are structurally subordinated to all existing and future indebtedness, other liabilities (including trade payables) and preferred stock of our subsidiaries that do not guarantee the Convertible Notes and to any of our existing and future indebtedness that may be guaranteed by such subsidiaries to the extent of any such guarantees.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Convertible Notes or to make any funds available to us for payment on the Convertible Notes, whether by dividends, loans or other payments, except that we contributed the net proceeds from the offering of Convertible Notes to Sutherland Partners, LP (the "Operating Partnership") in exchange for the issuance by the Operating Partnership of a senior unsecured note (the "Convertible Note Mirror Note") with terms that are substantially equivalent to the terms of the Convertible Notes. As a result, the Operating Partnership is obligated to pay us amounts due and payable under the Convertible Note Mirror Note, which rank equal in right of payment with all of the future unsecured and unsubordinated indebtedness of the Operating Partnership. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or other restrictions, may depend on

their earnings or financial condition and are subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

Limitation on Liens to Secure Payment of Ready Capital Corporation Borrowings

We will not, and will not permit any of our subsidiaries to, directly or indirectly, create, incur or suffer to exist any lien that secures obligations under any indebtedness of Ready Capital Corporation (other than guarantees of indebtedness of its subsidiaries) on any of our or our subsidiaries' assets or property, unless the Convertible Notes and any guarantee of the Convertible Notes are equally and ratably secured with the obligations secured by such other lien.

Any lien created for the benefit of the holders pursuant to the preceding paragraph may provide by its terms that such lien shall be automatically and unconditionally released and discharged upon the release and discharge of the lien that gave rise to the obligation to so secure the Convertible Notes.

Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries

We will not permit any of our subsidiaries to incur any unsecured indebtedness or guarantee the payment of, assume or in any other manner become liable with respect to any unsecured indebtedness of Ready Capital Corporation or of any of our subsidiaries (other than (1) a mirror note issued by our Operating Partnership to Ready Capital Corporation in connection with the incurrence by Ready Capital Corporation of an unsecured borrowing, (2) other debt issued by our Operating Partnership that ranks equal in right of payment with the Convertible Note Mirror Note that was issued to Ready Capital Corporation in connection with the offering of Convertible Notes, (3) other indebtedness in an aggregate outstanding principal amount which when taken together with the principal amount of all other indebtedness incurred, guaranteed, assumed or for which a subsidiary has become liable for pursuant to this clause (3) and then outstanding will not exceed the greater of (a) $25.0 million and (b) 5.0% of our total stockholders' equity) or (4) intercompany loans or other indebtedness where the borrower and lender are both our subsidiaries, provided that if a future subsidiary guarantor of the Convertible Notes is the obligor on any such intercompany indebtedness which is owed to a subsidiary which is not a guarantor of the Convertible Notes, the intercompany indebtedness will be expressly subordinated in right of payment to the note guarantee, unless prior to incurring, guaranteeing, assuming or becoming liable with respect to such indebtedness, such subsidiary executes and delivers a supplemental indenture providing for a guarantee of the obligations under Convertible Notes and the indenture in the same or higher ranking as, and otherwise be on terms comparable or better than, such unsecured indebtedness or guarantee provided by such subsidiary of such other unsecured indebtedness.

We may elect, in our sole discretion, to cause any subsidiary that is not otherwise required to be a guarantor to become a guarantor. The guarantee will be limited as necessary to prevent such guarantee from constituting a fraudulent conveyance under applicable law.

A guarantor will be released from its obligations under its guarantee upon the release or discharge of any other indebtedness or guarantee in respect of other indebtedness that resulted in the issuance of the guarantee of the Convertible Notes.

Ownership Limit

Subject to certain exceptions, our charter restricts ownership of more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or of the outstanding shares of our capital stock in order to assist us in qualifying as a REIT for U.S. federal income tax purposes. Notwithstanding any other provision of the notes, no holder of Convertible Notes will be entitled to receive common stock following conversion of such Convertible Notes to the extent that receipt of such common stock would cause such holder (after application of certain constructive ownership rules) to exceed the ownership limit described above.

Any attempted exchange of Convertible Notes that would result in the issuance of our common shares in excess of such ownership limits in the absence of such an exemption shall be void to the extent of the number of shares that would cause such violation, and the related notes or portion thereof shall be returned to the holder as promptly as practical. We will not have any further obligation to the holder with respect to such voided exchange and such Convertible Notes will be treated as if they have not been submitted for exchange.

Optional Redemption

We may not redeem the Convertible Notes prior to August 15, 2021. On or after August 15, 2021, we may redeem for cash all or any portion of the Convertible Notes, at our option, if the last reported sale price of our common stock has been at least 120% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. In the case of any optional redemption, we will provide not less than 30 nor more than 60 calendar days' notice before the redemption date to each holder of the Convertible Notes, and the

redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (unless the redemption date falls after a record date but on or prior to the immediately succeeding interest payment date, in which case we will pay the full amount of accrued and unpaid interest to the holder of record as of the close of business on such record date, and the redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed). The redemption date must be a business day.

If you surrender your Convertible Notes for conversion following the date we deliver a redemption notice and prior to the related redemption date, interest will continue to accrue until the date on which we deliver the conversion consideration in respect of any Convertible Notes that you convert, and will be payable to you together with the conversion consideration under the circumstances described under "— Conversion Rights— General" below.

If we decide to redeem fewer than all of the outstanding Convertible Notes, the Convertible Notes shall be selected to be redeemed (in principal amounts of $25.00 or multiples thereof) in accordance with the applicable procedures of DTC, in the case of global notes, and by lot, in the case of certificated Convertible Notes.

If a portion of your Convertible Note is selected for partial redemption and you convert a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to register the transfer of or exchange any Convertible Note so selected for redemption, in whole or in part, except the unredeemed portion of any Convertible Note being redeemed in part.

No Convertible Notes may be redeemed if the principal amount of the notes has been accelerated, and such acceleration has not been rescinded, on or prior to the redemption date (except in the case of an acceleration resulting from a default by us in the payment of the redemption price with respect to such notes).

Conversion Rights

General

Prior to the close of business on the business day immediately preceding February 15, 2023, the Convertible Notes will be convertible only upon satisfaction of one or more of the conditions described under the headings "—Conversion Upon Satisfaction of Sale Price Condition," "— Conversion Upon Satisfaction of Trading Price Condition," "—Conversion Upon Notice of Redemption," and "—Conversion Upon Specified Corporate Events." On or after February 15, 2023, holders may convert each of their Convertible Notes at the applicable conversion rate at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date irrespective of the foregoing conditions.

The conversion rate for the Convertible Notes initially equaled 1.4997 shares of common stock per $25.00 principal amount of Convertible Notes (equivalent to a conversion price of approximately $16.67 per share of common stock). Upon conversion of a Convertible Note, we will satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, all as set forth below under "—Settlement Upon Conversion." If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a "daily conversion value" (as defined below) calculated on a proportionate basis for each trading day in a 30 trading-day "cash settlement averaging period" (as defined below), all as set forth under "—Settlement Upon Conversion." If we elect to satisfy our conversion obligation solely in shares, we will deliver to the converting holder a number of shares of common stock equal to the product of (1) the aggregate principal amount of Convertible Notes to be converted, divided by $25.00, and (2) the conversion rate, all as set forth under "—Settlement Upon Conversion." The trustee will initially act as the conversion agent.

The conversion rate and the equivalent conversion price in effect at any given time are referred to as the "applicable conversion rate" and the "applicable conversion price" and will be subject to adjustment as described below. A holder may convert less than the entire principal amount of its Convertible Notes so long as the principal amount that remains outstanding of each note that is not converted in full equals $25.00 or an integral multiple of $25.00 in excess thereof.

If a holder of Convertible Notes has submitted notes for purchase upon a fundamental change, the holder may convert those Convertible Notes only if that holder first withdraws its purchase notice. If we call Convertible Notes for redemption, a holder of Convertible Notes may convert all or any portion of its notes called for redemption only until 5:00 p.m., New York City time, on the business day immediately preceding the redemption date.

Upon conversion, except as described below, you will not receive any separate cash payment for accrued and unpaid interest, if any (or dividends, if we declare any), except as described below. We will not issue fractional shares of our common stock upon conversion of notes. Instead, we will pay cash in lieu of fractional shares as described under "—Settlement Upon Conversion." Our

payment or delivery, as the case may be, to you of the cash, shares of our common stock or combination of cash and shares of our common stock, together with any cash payment for any fractional share, into which your note is convertible, will be deemed to satisfy in full our obligation to pay:

- the principal amount of the Convertible Note; and
- accrued and unpaid interest, if any, on the Convertible Note, to, but not including, the conversion date.

As a result, accrued and unpaid interest, if any, to, but not including, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon conversion of a Convertible Note, accrued and unpaid interest will be deemed to be paid first out of any cash paid upon such conversion.

Notwithstanding the preceding paragraph, if Convertible Notes are converted after 5:00 p.m., New York City time, on a record date for the payment of interest, holders of such Convertible Notes at 5:00 p.m., New York City time, on such record date will receive the interest payable on such Convertible Notes on the corresponding interest payment date notwithstanding the conversion. Convertible Notes, upon surrender for conversion during the period from 5:00 p.m., New York City time, on any record date to 9:00 a.m., New York City time, on the immediately following interest payment date must be accompanied by funds equal to the amount of interest payable on the Convertible Notes so converted; provided that no such payment need be made:

- for conversions following the record date immediately preceding the maturity date;
- if we have specified a redemption date that is after a record date and on or prior to the corresponding interest payment date;
- if we have specified a fundamental change purchase date that is after a record date and on or prior to the corresponding interest payment date; or
- to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such Convertible Note.

Following the date on which we deliver a notice of redemption as described under "—General—Optional Redemption", if you surrender your Convertible Notes for conversion prior to the redemption date, interest will continue to accrue until the date on which we deliver the conversion consideration in respect of any Convertible Notes that you convert, and will be payable to you together with the conversion consideration (without duplication of any interest you are otherwise entitled to by virtue of being the holder of record of the Convertible Notes on an applicable record date).

If a holder converts Convertible Notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any shares of our common stock upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder's name, in which case the holder will pay that tax.

Holders may surrender their Convertible Notes for conversion, only under the following circumstances:

Conversion Upon Satisfaction of Sale Price Condition

Prior to the close of business on the business day immediately preceding February 15, 2023, holders may surrender their Convertible Notes for conversion during any fiscal quarter commencing after September 30, 2017 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 120% of the applicable conversion price for the Convertible Notes on each applicable trading day.

The "last reported sale price" of our common stock on any trading day means the closing sale price per share (or if no closing sale price is reported, the average of the last bid and last ask prices or, if more than one in either case, the average of the average last bid and the average last ask prices) on that trading day as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant trading day, the "last reported sale price" will be the last quoted bid price for our common stock in the over-the- counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the "last reported sale price" will be the average of the mid-point of the last bid and last ask prices for our common stock on the relevant trading day from each of at least three nationally recognized independent investment banking firms selected by us for this purpose, which may include the underwriter. Any such determination will be conclusive absent manifest error.

"Trading day" means a scheduled trading day on which (i) trading in our common stock generally occurs on the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, on the principal other United States national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a United States national or regional securities exchange, on the principal other market on which our common stock is then traded and (ii) there is no market disruption event. If our common stock is not so listed or traded, "trading day" means a "business day."

"Market disruption event" means, if our common stock is listed for trading on the New York Stock Exchange or listed on another U.S. national or regional securities exchange, the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any trading day of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or futures contracts relating to our common stock.

Conversion Upon Satisfaction of Trading Price Condition

Prior to the close of business on the business day immediately preceding February 15, 2023, a holder of Convertible Notes may surrender all or a portion of its Convertible Notes for conversion during the five business day period after any five consecutive trading day period, which we refer to as the measurement period, in which the "trading price" per $25.00 principal amount of Convertible Notes, as determined following a request by a holder of Convertible Notes in accordance with the procedures described below, for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on such trading day.

The "trading price" of the Convertible Notes on any date of determination means the average of the secondary market bid quotations obtained by the bid solicitation agent for $1.0 million principal amount of the Convertible Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, which may include the underwriter; provided that, if three such bids cannot reasonably be obtained by the bid solicitation agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the bid solicitation agent, that one bid shall be used. If the bid solicitation agent cannot reasonably obtain at least one bid for $1.0 million principal amount of the Convertible Notes from a nationally recognized securities dealer, then the trading price per $25.00 principal amount of Convertible Notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate. Any such determination will be conclusive absent manifest error. If we do not so instruct the bid solicitation agent to obtain bids when required, or the bid solicitation agent fails to solicit bids when required, the trading price per $25.00 principal amount of the Convertible Notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each day we or it fails to do so. We will be the initial bid solicitation agent.

The bid solicitation agent (if other than us) shall have no obligation to determine the trading price of the Convertible Notes unless we have requested such determination; and we shall have no obligation to make such request (or, if we are acting as bid solicitation agent, we shall have no obligation to determine the trading price) unless a holder of a Convertible Note provides us with reasonable evidence that the trading price per $25.00 principal amount of Convertible Notes would be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate. At such time, we shall instruct the bid solicitation agent (if other than us) to determine, or if we are acting as bid solicitation agent, we shall determine, the trading price per $25.00 principal amount of the Convertible Notes beginning on the next trading day and on each successive trading day until the trading price per $25.00 principal amount of Convertible Notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the applicable conversion rate. If the trading price condition has been met, we will so notify the holders of the Convertible Notes and the trustee. If, at any time after the trading price condition has been met, the trading price per $25.00 principal amount of Convertible Notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the conversion rate for such date, we will so notify the holders of the Convertible Notes and the trustee.

Conversion Upon Notice of Redemption

If we call any or all of the Convertible Notes for redemption, holders may convert all or any portion of their Convertible Notes at any time prior to the close of business on the trading day prior to the redemption date, even if the Convertible Notes are not otherwise convertible at such time. After that time, the right to convert such Convertible Notes on account of our delivery of the notice of redemption will expire, unless we default in the payment of the redemption price, in which case a holder of Convertible Notes may convert all or any portion of its Convertible Notes until the business day immediately preceding the date on which the redemption price has been paid or duly provided for.

Conversion Upon Specified Corporate Events

Certain Distributions

If we elect to:

- issue to all or substantially all holders of our common stock rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of such issuance to subscribe for or purchase shares of our common stock, at a price per share less than the average of the last reported sale prices of our common stock for the 10 consecutive trading day period ending on the trading day immediately preceding the date of announcement of such issuance; or

- distribute to all or substantially all holders of our common stock our assets, debt securities or rights to purchase our securities, which distribution has a per share value, as reasonably determined by our board of directors, or a committee thereof, exceeding 10% of the last reported sale price of our common stock on the trading day preceding the date of announcement for such distribution;

we must notify the holders of the Convertible Notes at least 40 scheduled trading days prior to the ex-dividend date (as defined herein) for such issuance or distribution. Holders may surrender their Convertible Notes for conversion at any time during the period beginning on the 35th scheduled trading day immediately prior to the ex-dividend date for such issuance or distribution and ending on the earlier of (i) 5:00 p.m., New York City time, on the business day immediately preceding such ex-dividend date or (ii) our announcement that such issuance or distribution will not take place, even if the Convertible Notes are not otherwise convertible at such time. A holder may not convert any of its Convertible Notes based on this conversion contingency if we provide that holders of the Convertible Notes shall participate, at the same time and upon the same terms as holders of our common stock and as a result of holding the Convertible Notes, in the relevant transaction described above without having to convert their Convertible Notes as if they held a number of shares of common stock equal to the applicable conversion rate multiplied by the principal amount (expressed in thousands) of Convertible Notes held by such holder.

Certain Corporate Events

If (i) a transaction or event that constitutes a "make-whole fundamental change" (as defined under "—Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change or Notice of Redemption") occurs or (ii) we are a party to (a) a consolidation, merger, binding share exchange, pursuant to which our common stock would be converted into cash, securities or other assets or (b) a sale, conveyance, transfer or lease of all or substantially all of our assets, the Convertible Notes may be surrendered for conversion at any time from or after the date which is 35 scheduled trading days prior to the anticipated effective date of the transaction (or, if later, the business day after we give notice of such transaction) until the close of business, (i) if such transaction or event is a fundamental change, on the business day immediately preceding the related fundamental change purchase date and (ii) otherwise, on the 30th business day immediately following the effective date of such transaction or event. We will notify holders and the trustee of such a transaction:

- as promptly as practicable following the date we publicly announce such transaction but in no event less than 40 scheduled trading days prior to the anticipated effective date of such transaction; or

- if we do not have knowledge of such transaction at least 40 scheduled trading days prior to the anticipated effective date of such transaction, within one business day of the date upon which we receive notice, or otherwise become aware, of such transaction, but in no event later than the actual effective date of such transaction.

Conversions on or After February 15, 2023

On or after February 15, 2023, a holder may convert any of its Convertible Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions.

Conversion Procedures

If you hold a beneficial interest in a global Convertible Note, to convert you must comply with DTC's procedures for converting a beneficial interest in a global Convertible Note and, if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled and, if required, pay all taxes or duties, if any. **As such, if you are a beneficial owner of the Convertible Notes, you must allow for sufficient time to comply with DTC's procedures if you wish to exercise your conversion rights**.

If you hold a certificated Convertible Note, to convert you must:

- complete and manually sign the conversion notice on the back of the Convertible Note, or a facsimile of the conversion notice;
- deliver the conversion notice, which is irrevocable, and the Convertible Note to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay all transfer or similar taxes; and
- if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled.

We refer to the date you comply with the relevant procedures for conversion described above and any other procedures for conversion set forth in the indenture as the "conversion date."

If a holder has already delivered a purchase notice as described under "—Fundamental Change Permits Holders to Require Us to Purchase Convertible Notes" with respect to a Convertible Note, the holder may not surrender that Convertible Note for conversion until the holder has withdrawn the notice in accordance with the indenture, except to the extent that a portion of the holder's Convertible Note is not subject to such fundamental change purchase notice.

Settlement Upon Conversion

Upon conversion, we may choose to deliver cash, shares of our common stock or a combination of cash and shares of our common stock, as described below.

All conversions of Convertible Notes during the period beginning on the 30th scheduled trading day prior to the maturity date and ending at 5:00 p.m., New York City time, on the second scheduled trading day immediately prior to the maturity date (the "final conversion period") will be settled in the same relative proportions of cash and/or shares of our common stock, which we refer to as the "settlement method." If we have not delivered a notice of our election of settlement method prior to the final conversion period we will be deemed to have elected combination settlement with the specified dollar amount (as defined below) of $25.00 as described below.

Prior to final conversion period, we will use the same settlement method for all conversions of Convertible Notes occurring on any given conversion date. Except for any conversions that occur during the final conversion period, we will not have any obligation to use the same settlement method with respect to conversions that occur on different conversion dates.

In other words, prior to the final conversion period we may choose on one conversion date with respect to the Convertible Notes to settle conversions in shares of our common stock only, and choose on another conversion date to settle in cash, shares of our common stock or a combination of cash and shares of our common stock. With respect to any conversion prior to the final conversion period, we will inform holders so converting through the trustee of the settlement method we have selected (including the specified dollar amount, if applicable) no later than the close of business on the second trading day immediately following the related conversion date. If we do not inform holders of our election by the close of business on the second trading day immediately following the conversion date, we will be deemed to have elected combination settlement with the specified dollar amount of $25.00, as described in the third bullet point below.

Settlement amounts will be computed as follows:

- if we elect to satisfy our conversion obligation solely in shares of our common stock, we will deliver to the converting holder a number of shares of our common stock equal to (1) (i) the aggregate principal amount of Convertible Notes to be converted divided by (ii) $25.00, multiplied by (2) the applicable conversion rate on the date the converting holder becomes a record owner of common stock;

- if we elect to satisfy our conversion obligation solely in cash, we will deliver to the converting holder, in respect of each $25.00 principal amount of Convertible Notes being converted, cash in an amount equal to the sum of the daily conversion values for each of the 30 consecutive trading days during the related cash settlement averaging period; and

- if we elect to satisfy our conversion obligation through delivery of a combination of cash and shares of our common stock, we will deliver to the converting holder in respect of each $25.00 principal amount of Convertible Notes being converted a "settlement amount" equal to the sum of the daily settlement amounts for each of the 30 consecutive trading days during the related cash settlement averaging period.

The "daily settlement amount," for each of the 30 consecutive trading days during the cash settlement averaging period, will consist of:

- cash equal to the lesser of (i) a dollar amount per Convertible Note to be received upon conversion as specified by us in the notice regarding our chosen settlement method (the "specified dollar amount"), if any, divided by 30 (such quotient being referred to as the "daily measurement value") and (ii) the daily conversion value; and

- to the extent the daily conversion value exceeds the daily measurement value, a number of shares equal to (i) the difference between the daily conversion value and the daily measurement value, divided by (ii) the daily VWAP of our common stock for such trading day.

"Daily conversion value" means, with respect to any Convertible Note as to which cash settlement or combination settlement is applicable, for each of the 30 consecutive trading days during the cash settlement averaging period, one-thirtieth (1/30th) of the product of (i) the applicable conversion rate on such trading day and (ii) the daily VWAP of our common stock on such trading day.

"Daily VWAP" means, with respect to any Convertible Note as to which cash settlement or combination settlement is applicable, for any trading day, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page "RC <equity> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day (or if such volume-weighted average price is unavailable, the market value of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us). The "daily VWAP" will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

"Cash settlement averaging period" means, with respect to any Convertible Note as to which cash settlement or combination settlement is applicable, the 30 consecutive trading-day period beginning on, and including, the third trading day immediately following the related conversion date, except that "cash settlement averaging period" means, (1) with respect to any conversion date occurring during the final conversion period, the 30 consecutive trading-day period beginning on, and including, the 32nd scheduled trading day prior to the maturity date, and (2) with respect to any conversion date for Convertible Notes that have been called for redemption occurring on or after the date of our issuance of a redemption notice and prior to the related redemption date, the 30 consecutive trading-day period beginning on, and including, the 32nd scheduled trading day prior to the redemption date.

For the purposes of determining amounts due upon conversion only, "trading day" means a day during which trading in our common stock generally occurs on the primary exchange or quotation system on which our common stock then trades or is quoted and there is no market disruption event.

For the purposes of determining amounts due upon conversion only, "market disruption event" means (1) a failure by the primary exchange or quotation system on which our common stock trades or is quoted to open for trading during its regular trading session or (2) the occurrence or existence, prior to 1:00 p.m., New York City time, on any trading day for our common stock, of an aggregate one half-hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or future contracts relating to our common stock.

"Scheduled trading day" means any day that is scheduled to be a trading day.

We generally will deliver the conversion consideration in respect of any Convertible Notes that you convert by the second trading day immediately following the last trading day of the cash settlement averaging period. However:

- if we elect to satisfy our conversion obligation solely in shares of our common stock, we will deliver the conversion consideration due in respect of conversion on the second trading day immediately following the relevant conversion date; and

- if prior to the conversion date for any converted Convertible Notes our common stock has been replaced by reference property (as defined under "—Recapitalizations, Reclassifications and Changes of Our Common Stock" below) consisting solely of cash pursuant to the provisions described under "—Recapitalizations, Reclassifications and Changes of Our Common Stock," we will deliver the conversion consideration due in respect of conversion on the second trading day immediately following the relevant conversion date.

Notwithstanding the foregoing, if any information required in order to calculate the conversion consideration deliverable will not be available as of the applicable settlement date, we will deliver the additional shares of our common stock resulting from that adjustment on the second trading day after the earliest trading day on which such calculation can be made.

We will not issue fractional shares of our common stock upon conversion of Convertible Notes. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP of our common stock on the relevant conversion date (if we elect to satisfy our conversion obligation solely in shares of our common stock) or based on the daily VWAP of our common stock on the last trading day of the relevant cash settlement averaging period (in the case of any other settlement method).

Each conversion will be deemed to have been effected as to any Convertible Notes surrendered for conversion on the conversion date; provided, however, that the person in whose name any shares of our common stock shall be deliverable upon such conversion will be treated as the holder of record of such shares as of the close of business on such conversion date (in the case of physical settlement) or the last trading day of the relevant cash settlement averaging period (in the case of any other settlement method).

Conversion Rate Adjustments

The conversion rate will be adjusted as described below, except that we will not make any adjustments to the conversion rate if holders of the Convertible Notes participate (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of our common stock and as a result of holding the Convertible Notes, in any of the transactions described below without having to convert their Convertible Notes as if they held a number of shares of common stock equal to the applicable conversion rate, multiplied by the principal amount (expressed in thousands) of Convertible Notes held by such holder.

(1) If we exclusively issue shares of our common stock as a dividend or distribution on all or substantially all outstanding shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date of such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or combination, as applicable;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date or effective date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the open of business on such ex-dividend date or effective date, as applicable, before giving effect to such dividend, distribution, share split or share combination; and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination, as applicable.

Any adjustment made under this clause (1) shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination. If any dividend or distribution of the type described in this clause (1) is declared but not so paid or made, the conversion rate shall be immediately readjusted, effective as of the date our board of directors, or a committee thereof, determines not to pay such dividend or distribution to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we issue to all or substantially all holders of our outstanding common stock any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the date of such issuance, to subscribe for or purchase shares of our common stock, at a price per share less than the average of the last reported sale prices of our common stock for the 10 consecutive trading-day period ending on, and including, the trading day immediately preceding the date of announcement of such issuance, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such issuance;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the open of business on such ex-dividend date;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to the aggregate price payable to exercise such rights, options or warrants divided by the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the ex-dividend date for such issuance. To the extent that such rights, options or warrants are not exercised prior to their expiration or shares of common stock are not delivered upon the expiration of such rights, options or warrants, the conversion rate shall be readjusted to the conversion rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of common stock actually delivered. If such rights, options or warrants are not so issued, or if no such rights, options or warrants are exercised prior to their expiration, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such ex-dividend date for such issuance had not occurred.

For purposes of this clause (2) and for purposes of the provisions set forth above under "—Conversion Upon Specified Corporate Events—Certain Distributions," in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share less than such average of the last reported sale prices of our common stock for the 10 consecutive trading day period ending on the trading day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such shares of the common stock, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by our board of directors, or a committee thereof.

(3) If we distribute shares of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities, to all or substantially all holders of our outstanding common stock, excluding:

- dividends, distributions, rights, options or warrants as to which an adjustment was effected pursuant to clause (1) or (2) above;
- dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to clause (4) below; and
- spin-offs as to which the provisions set forth below in this clause (3) shall apply; then the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date;

SP_0 = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined by our board of directors, or a committee thereof) of the shares of capital stock, evidences of indebtedness, other assets, or property of ours or rights, options or warrants to acquire our capital stock or other securities distributed with respect to each outstanding share of our common stock on the ex-dividend date for such distribution.

If "FMV" (as defined above) is equal to or greater than the "SP0" (as defined above), in lieu of the foregoing increase, each holder of a Convertible Note shall receive, in respect of each $25.00 principal amount of Convertible Notes it holds, at the same time and upon the same terms as holders of our common stock, the amount and kind of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities that such holder would have received as if such holder owned a number of shares of common stock equal to the conversion rate in effect on the ex-dividend date for the distribution.

Any increase made under the portion of this clause (3) above will become effective immediately after the open of business on the ex-dividend date for such distribution. If such distribution is not so paid or made, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of any class or series, or similar equity interest, of or relating to our subsidiary or other business unit, and such capital stock or similar equity interest is listed or quoted (or will be listed or quoted upon the consummation of the distribution) on a United States national securities exchange, which we refer to as a "spin-off," the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the conversion rate in effect immediately prior to the close of business on last day of the valuation period;

CR_1 = the conversion rate in effect immediately after the close of business on the last day of the valuation period;

FMV_0 = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first ten (10) consecutive trading-day period after, and including, the effective date of the spin-off (the "valuation period"); and

MP_0 = the average of the last reported sale prices of our common stock over the valuation period.

If the ex-dividend date for the spin-off is less than 10 trading days prior to, and including, the end of the cash settlement averaging period in respect of any conversion, references within this clause (3) to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion values in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for the spin-off to, and including, the last trading day of such cash settlement averaging period. For purposes of determining the applicable conversion rate, in respect of any conversion during the 10 trading days commencing on the ex-dividend date for any spinoff, references within the portion of this clause (3) related to "spin-offs" to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, the relevant conversion date.

(4) any cash dividend or distribution is made to all or substantially all holders of our common stock that, together will all prior dividends or distributions paid during the calendar quarter in which the ex-dividend date for such dividend or distribution occurs (such calendar quarter, the "dividend period"), exceeds $0.37 per share, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - T}{SP_0 - C}$$

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution;

CR_1 = the conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution;

SP_0 = the last reported sale price of our common stock on the trading day immediately preceding the ex-dividend date for such dividend or distribution;

T = $0.37 (the "DTA"); provided, however, that the DTA with respect to any date shall be reduced by the aggregate per share cash dividends or distributions that were paid to all or substantially all holders of our common stock during the applicable dividend period prior to such payment and provided further that if the result of such reduction is a negative number, the DTA shall be deemed to be zero; and

C = the amount in cash per share that we distribute to holders of our common stock in such dividend or distribution.

The DTA is subject to adjustment on an inversely proportional basis whenever the conversion rate is adjusted other than adjustments made pursuant to this clause (4).

If "C" (as defined above) is equal to or greater than "SP0" (as defined above), in lieu of the foregoing increase, each holder of a Convertible Note shall receive, for each $25.00 principal amount of Convertible Notes it holds, at the same time and upon the same terms as holders of shares of our common stock, the amount of cash that such holder would have received as if such holder owned a number of shares of our common stock equal to the conversion rate on the ex-dividend date for such cash dividend or distribution. Such increase shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution. If such dividend or distribution is not so paid, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the "expiration date"), the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0 = the conversion rate in effect immediately prior to the close of business on the expiration date;

CR_1 = the conversion rate in effect immediately after the close of business on the expiration date;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors, or a committee thereof) paid or payable for shares purchased in such tender or exchange offer;

OS_0 = the number of shares of our common stock outstanding immediately prior to the expiration time of the tender or exchange offer on the expiration date (prior to giving effect to the purchase of all shares accepted for purchase or exchange in such tender offer or exchange offer);

OS_1 = the number of shares of our common stock outstanding immediately after the expiration time of the tender or exchange offer on the expiration date (after giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer); and

SP_1 = the average of the last reported sale prices of our common stock over the ten (10) consecutive trading-day period commencing on the trading day next succeeding the expiration date (the "averaging period").

The adjustment to the applicable conversion rate under the preceding paragraph of this clause (5) will be given effect at the open of business on the trading day next succeeding the expiration date. If the trading day next succeeding the expiration date is less than 10 trading days prior to, and including, the end of the cash settlement averaging period in respect of any conversion, references within this clause (5) to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion values in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding the expiration date

to, and including, the last trading day of such cash settlement averaging period. For purposes of determining the applicable conversion rate, in respect of any conversion during the 10 trading days commencing on the trading day next succeeding the expiration date, references within this clause (5) to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding the expiration date to, and including, the relevant conversion date.

Notwithstanding anything to the contrary herein with respect to converted Convertible Notes as to which cash or combination settlement is applicable, if a holder converts a Convertible Note and the daily settlement amount for any trading day during the cash settlement averaging period applicable to such Convertible Note:

- is calculated based on a conversion rate adjusted on account of any event described in clauses (1) through (5) above; and
- includes any shares of our common stock that, but for this provision, would entitle their holder to participate in such event;

then, although we will otherwise treat such holder as the holder of record of such shares of our common stock on the last trading day of such cash settlement averaging period, we will not permit such holder to participate in such event on account of such shares of our common stock.

In addition, if a holder converts a Convertible Note to which cash or combination settlement is applicable and:

- the record date, effective date or expiration date for any event that requires an adjustment to the conversion rate under any of clauses (1) through (5) above occurs:
  - on or after the first trading day of such cash settlement averaging period; and
  - on or prior to the last trading day of such cash settlement averaging period; and
- the daily settlement amount for any trading day in such cash settlement averaging period that occurs on or prior to such record date, effective date or expiration date:
  - includes shares of the common stock that do not entitle their holder to participate in such event; and
  - is calculated based on a conversion rate that is not adjusted on account of such event;

then, on account of such conversion, we will, on such record date, effective date or expiration date, treat such holder, as a result of having converted such Convertible Notes, as though it were the record holder of a number of shares of common stock equal to the total number of shares of common stock that:

- are deliverable as part of the daily settlement amount:
  - for a trading day in such cash settlement averaging period that occurs on or prior to such record date, effective date or expiration date; and
  - is calculated based on a conversion rate that is not adjusted for such event; and
- if not for this provision, would not entitle such holder to participate in such event.

In addition, and notwithstanding the foregoing, with respect to any Convertible Notes as to which physical settlement is applicable, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder that has converted its Convertible Notes on or after such ex-dividend date and on or prior to the related record date would be treated as the record holder of shares of our common stock as of the related conversion date as described above under "—Settlement upon Conversion" based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment

relating to such ex-dividend date will not be made for such converting holder. Instead, such holder will be treated as if such holder were the record owners of the shares of our common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

Except as stated herein, we will not adjust the conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right to purchase shares of our common stock or such convertible or exchangeable securities. If, however, the application of the foregoing formulas would result in a decrease in the conversion rate, except to the extent of any readjustment to the conversion rate, no adjustment to the conversion rate will be made (other than as a result of a reverse share split, share combination or readjustment).

"Ex-dividend date" means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question.

To the extent permitted by applicable law, we are permitted to increase the conversion rate of the Convertible Notes by any amount for a period of at least 20 business days if our board of directors, or a committee thereof, determines that such increase would be in our best interest. We may also (but are not required to) increase the conversion rate to avoid or diminish income tax to holders of our common stock or rights to purchase shares of our common stock in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event.

A holder may, in some circumstances, including a distribution of cash dividends to holders of shares of our common stock, be deemed to have received a distribution subject to United States federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the conversion rate. For a discussion of the United States income tax treatment of an adjustment to the conversion rate, see "Supplemental U.S. Federal Income Tax Considerations."

We do not currently have a rights plan in effect. If you convert a Convertible Note, to the extent that we have a rights plan in effect, you will receive, in addition to any shares of common stock received in connection with such conversion, the rights under the rights plan unless the rights have separated from the common stock, in which case, and only in such case, the conversion rate will be adjusted at the time of separation (and not at the time of issuance of the rights) as if we distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness, assets, property, rights, options or warrants as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Notwithstanding any of the foregoing, the applicable conversion rate will not be adjusted:

- on account of stock repurchases that are not tender offers referred to in clause (5) above, including structured or derivative transactions, or transactions pursuant to a stock repurchase program approved by our board of directors, or a committee thereof, or otherwise;
- upon the issuance or acquisition by us of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, officer, director or consultant benefit plan, program or agreement of or assumed by us or any of our subsidiaries;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the Convertible Notes were first issued;
- for a change in the par value of the common stock;
- for accrued and unpaid interest, if any; or

- for an event otherwise requiring an adjustment, as described herein, if such event is not consummated.

In addition, notwithstanding anything to the contrary herein, except on and after the first trading day of any cash settlement averaging period with respect to a Convertible Note and on or prior to the last trading day of such cash settlement averaging period, we will not be required to adjust the conversion rate unless such adjustment would require an increase or decrease of at least one percent; provided, however, that any such minor adjustments that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and provided, further, that any such adjustment of less than one percent that has not been made shall be made upon the occurrence of (i) the effective date for any make-whole fundamental change, (ii) if we call the Convertible Notes for redemption, (iii) the first trading day of any cash settlement averaging period and (iv) if we elect to satisfy our conversion obligation solely in shares of our common stock, upon any conversion of Convertible Notes. In addition, we shall not account for such deferrals when determining whether any of the conditions to conversion have been satisfied or what number of shares of our common stock a holder would have held on a given day had it converted its Convertible Notes.

Adjustments to the applicable conversion rate will be calculated to the nearest 1/10,000th of a share.

Recapitalizations, Reclassifications and Changes of Our Common Stock

In the case of:

- any recapitalization, reclassification or change of our outstanding common stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a split, subdivision or combination for which an adjustment is made pursuant to (1) above under "—Conversion Rights—Conversion Rate Adjustments");

- any consolidation, merger or combination involving us;

- any sale, lease or other transfer to a third party of the consolidated assets of ours and our subsidiaries substantially as an entirety; or

- any statutory share exchange;

and, in each case, as a result of which our outstanding shares of common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof), then, at the effective time of the transaction, the right to convert each $25.00 principal amount of Convertible Notes based on a number of shares of common stock equal to the conversion rate will be changed into a right to convert such principal amount of Convertible Notes based on the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof), which stock, other securities or other property or assets we refer to as the reference property, that a holder of a number of shares of common stock equal to the conversion rate immediately prior to such transaction would have owned or been entitled to receive upon such transaction. However, at and after the effective time of the transaction, (i) we will continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, as described above under "—Conversion Rights—Settlement Upon Conversion," and (ii)(x) any amount payable in cash upon conversion of the Convertible Notes as set forth under "—Conversion Rights—Settlement Upon Conversion" will continue to be payable in cash, (y) any shares of our common stock that we would have been required to deliver upon conversion of the Convertible Notes as set forth under "—Conversion Rights—Settlement Upon Conversion" will instead be deliverable in the amount and type of reference property that a holder of that number of shares of our common stock would have received in such transaction and (z) the daily VWAP will be calculated based on the value of the amount and kind of reference property that a holder of one share of our common stock would have received in such transaction. If the transaction causes our outstanding common stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the amount and type of reference property that a holder of one or more shares would have been entitled to receive in such transaction (and into which the Convertible Notes will be convertible) will be deemed to be based on the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election. We will notify holders of the weighted average as soon as practicable after such determination is made. We will agree in the indenture not to become a party to any such transaction unless its terms are consistent with the foregoing.

Adjustments of Prices

Whenever any provision of the indenture requires us to calculate the last reported sale prices, the daily VWAPs or any function thereof over a span of multiple days (including during a cash settlement averaging period), we will make appropriate adjustments to each to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the effective date, ex-dividend date or expiration date of the event occurs, at any time during the period when the last reported sale prices, the daily VWAPs or functions thereof are to be calculated.

Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change or Notice of Redemption

If (i) an event occurs that (A) is a fundamental change (as defined below and determined after giving effect to any exceptions or exclusions to such definition) or (B) would be a fundamental change, but for the exclusion in section (i) of clause (2) of the definition thereof (any such event, a "make-whole fundamental change") or (ii) we give a notice of redemption with respect to any or all of the Convertible Notes as provided for under "—General—Optional Redemption" and a holder elects to convert its Convertible Notes in connection with such make-whole fundamental change or such notice of redemption, we will, under certain circumstances, increase the conversion rate for the Convertible Notes so surrendered for conversion by a number of additional shares of common stock, which we refer to as the additional shares, as described below. A conversion of Convertible Notes will be deemed for these purposes to be "in connection with" a make-whole fundamental change if the notice of conversion of the Convertible Notes is received by the conversion agent from, and including, the effective date of the fundamental change up to, and including, the close of business on the business day immediately prior to the related fundamental change purchase date, or, if such make- whole fundamental change is not also a fundamental change, the 35th business day immediately following the effective date for such make-whole fundamental change. A conversion of Convertible Notes will be deemed for these purposes to be "in connection with" a redemption notice if the notice of conversion of the Convertible Notes is received by the conversion agent from, and including, the date of the redemption notice until the close of business on the business day immediately preceding the redemption date.

Upon surrender of Convertible Notes for conversion in connection with a make-whole fundamental change or redemption notice, we will, at our option, satisfy our conversion obligation by delivering or paying, as the case may be, shares of our common stock (together with cash in lieu of any fractional share), cash or a combination of cash and shares of our common stock (together with cash in lieu of any fractional share) as described under "—Settlement Upon Conversion." Notwithstanding anything to the contrary herein, if the consideration paid for our common stock in any make-whole fundamental change described in clause (2) of the definition of fundamental change is comprised entirely of cash, for any conversion of Convertible Notes following the effective date of such make-whole fundamental change, the settlement amount will be calculated based solely on the "stock price" (as defined below) for the transaction and will be deemed to be an amount equal to the applicable conversion rate (including any adjustment as described in this section), multiplied by such stock price. In such event, the settlement amount will be determined and paid to holders in cash on the second business day following the conversion date. Otherwise, we will settle any conversion of Convertible Notes following the effective date of a make-whole fundamental change as described above under "—Conversion Rights—Settlement Upon Conversion." We will notify holders of the effective date of any make-whole fundamental change and issue a press release announcing such effective date no later than five business days after such effective date.

The number of additional shares, if any, by which the conversion rate will be increased will be determined by reference to the table below, based on the date on which the make-whole fundamental change occurs or becomes effective or the date of the redemption notice, in each case which we refer to as the effective date, and the stock price, which shall be the average of the last reported sale prices of our common stock over the five trading day period ending on, and including, the trading day immediately preceding the effective date of the make-whole fundamental change or notice of redemption; provided, however, that if the holders of our common stock receive only cash in a make-whole fundamental change described in clause (2) of the definition of fundamental change, the stock price shall be deemed to be the cash amount paid per share.

The stock prices set forth in the column headings of the table below will be adjusted as of any date on which the conversion rate of the Convertible Notes is otherwise required to be adjusted. The adjusted stock prices will equal the stock prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the

conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner and at the same time as the conversion rate is required to be adjusted as set forth under "—Conversion Rights—Conversion Rate Adjustments."

The following table sets forth the number of additional shares by which we will increase the conversion rate for a holder that converts its Convertible Notes in connection with a make-whole fundamental change or notice of redemption having the stock price and effective date set forth below:

	Stock Price										
Effective Date	**$14.75**	**$15.00**	**$15.50**	**$16.00**	**$16.50**	**$16.67**	**$17.00**	**$17.50**	**$18.00**	**$19.00**	**$20.00**
August 9, 2017	0.1952	0.1772	0.1441	0.1150	0.0897	0.0819	0.0679	0.0496	0.0344	0.0131	0.0025
August 15, 2018	0.1952	0.1772	0.1441	0.1145	0.0884	0.0804	0.0662	0.0477	0.0326	0.0118	0.0020
August 15, 2019	0.1952	0.1772	0.1441	0.1139	0.0872	0.0791	0.0646	0.0459	0.0308	0.0105	0.0015
August 15, 2020	0.1952	0.1772	0.1441	0.1120	0.0845	0.0762	0.0615	0.0427	0.0279	0.0087	0.0010
August 15, 2021	0.1952	0.1772	0.1405	0.1068	0.0785	0.0701	0.0553	0.0369	0.0227	0.0058	0.0004
August 15, 2022	0.1952	0.1742	0.1314	0.0953	0.0657	0.0571	0.0426	0.0253	0.0134	0.0019	0.0000
August 15, 2023	0.1952	0.1670	0.1132	0.0628	0.0155	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact stock prices and effective dates may not be set forth in the table above, in which case:

- if the stock price is between two stock prices in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock prices and the earlier and later effective dates, as applicable, based on a 365-day year;
- if the stock price is greater than $20.00 per share (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate; or
- if the stock price is less than $14.75 per share (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.

Notwithstanding the foregoing, in no event will the conversion rate exceed 1.6949 shares of common stock per $25.00 principal amount of Convertible Notes, subject to adjustments in the same manner as the conversion rate is required to be adjusted as set forth under "—Conversion Rights—Conversion Rate Adjustments."

Our obligation to satisfy the additional shares requirement could be considered a penalty, in which case the enforceability thereof could be subject to general equity principles including principles of reasonableness and equitable remedies.

Fundamental Change Permits Holders to Require Us to Purchase Convertible Notes

If a "fundamental change" (as defined below in this section) occurs at any time, you will have the right, at your option, to require us to purchase for cash any or all of your Convertible Notes, or any portion thereof such that the principal amount that remains outstanding of each Convertible Note that is not purchased in full equals $25.00 or an integral multiple of $25.00 in excess thereof. The price we are required to pay, which we refer to as the fundamental change purchase price, will be equal to 100% of the principal amount of the Convertible Notes to be purchased plus accrued and unpaid interest, if any, to but excluding the fundamental change purchase date (unless the fundamental change purchase date is after a record date and on or prior to the interest payment date to which such record date relates, in which case we will instead pay the full amount of accrued and unpaid interest to the holder of record on such record date and the fundamental change purchase price will be equal to 100% of the principal amount of the Convertible Notes to be purchased). The fundamental change purchase date will be a date specified by us that is not less than 20 or more than 35 business days following the date of our fundamental change notice as described below. Any Convertible Notes purchased by us will be paid for in cash.

A "fundamental change" will be deemed to have occurred at the time after the Convertible Notes are originally issued if any of the following occurs:

(1) any "person" or "group" (within the meaning of Section 13(d) of the Exchange Act), other than us, our subsidiaries or entities controlled by our Manager, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the "beneficial owner" (as that term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the total outstanding voting power of all classes of our capital stock entitled to vote generally in the election of directors;

(2) the consummation of (x) any consolidation, merger, amalgamation, scheme of arrangement or other binding share exchange or reclassification or similar transaction between us and another person (other than our subsidiaries), in each case pursuant to which the outstanding common stock shall be converted into cash, securities or other property, other than a transaction (i) that results in the holders of all classes of our common equity immediately prior to such transaction owning, directly or indirectly, as a result of such transaction, more than 50% of the surviving corporation or transferee or the parent thereof immediately after such event or (ii) effected solely to change our jurisdiction of incorporation or to form a holding company for us and that results in a share exchange or reclassification or similar exchange of the outstanding common stock solely into shares of common stock of the surviving entity or (y) any sale or other disposition in one transaction or a series of transactions of all or substantially all of our assets and our subsidiaries, on a consolidated basis, to another person (other than any of our subsidiaries);

(3) "continuing directors" (as defined below) cease to constitute at least a majority of our board of directors;

(4) our stockholders approve any plan or proposal for the liquidation or dissolution of us (other than in a transaction described in clause (2) above); or

(5) our common stock ceases to be listed on the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that in the case of a transaction or event described in clause (1) or (2) above, if at least 90% of the consideration received or to be received by holders of the common stock (excluding cash payments for fractional shares) in the transaction or transactions that would otherwise constitute a "fundamental change" consists of shares of common stock or common equity interests that are traded on the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or that will be so traded when issued or exchanged in connection with the transaction that would otherwise constitute a fundamental change under clause (1) or (2) of the definition thereof, which we refer to as publicly traded securities, and as a result of such transaction or transactions, the Convertible Notes become convertible into or by reference to such publicly traded securities, excluding cash payments for fractional shares (subject to settlement in accordance with the provisions of "—Conversion Rights—Settlement Upon Conversion"), such event shall not be a fundamental change.

"Continuing director" means a director who either was a member of our board of directors on August 3, 2017 or who becomes a member of our board of directors subsequent to that date and whose election, appointment or nomination for election by our stockholders is duly approved by a majority of the continuing directors on our board of directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by us on behalf of our entire board of directors in which such individual is named as nominee for election as a director, and whose election is recommended by our board of directors.

On or before the 20th day after the occurrence of a fundamental change, we will provide to all holders of the Convertible Notes and the trustee and paying agent a notice of the occurrence of the fundamental change and of the resulting purchase right. Such notice shall state, among other things:

- the events causing a fundamental change;

- the date of the fundamental change;
- the last date on which a holder may exercise the purchase right;
- the fundamental change purchase price;
- the fundamental change purchase date;
- if applicable, the name and address of the paying agent and the conversion agent;
- if applicable, the applicable conversion rate and any adjustments to the applicable conversion rate;
- if applicable, that the Convertible Notes with respect to which a fundamental change purchase notice has been delivered by a holder may be converted only if the holder withdraws the fundamental change purchase notice in accordance with the terms of the indenture; and
- the procedures that holders must follow to require us to purchase their Convertible Notes.

Simultaneously with providing such notice, we will publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on our website or through such other public medium as we may use at that time.

To exercise the fundamental change purchase right, you must deliver, on or before the business day immediately preceding the fundamental change purchase date, the Convertible Notes to be purchased, duly endorsed for transfer, together with a written purchase notice and the form entitled "Form of Fundamental Change Purchase Notice" on the reverse side of the Convertible Notes duly completed, to the paying agent if the Convertible Notes are certificated. If the Convertible Notes are not in certificated form, you must comply with DTC's procedures for tendering interests in global Convertible Notes. Your purchase notice must state:

- if certificated, the certificate numbers of your Convertible Notes to be delivered for purchase;
- the portion of the principal amount of Convertible Notes to be purchased, which must be such that the principal amount that remains outstanding of each Convertible Note that is not to be purchased in full equals $25.00 or an integral multiple of $25.00 in excess thereof; and
- that the Convertible Notes are to be purchased by us pursuant to the applicable provisions of the Convertible Notes and the indenture.

You may withdraw any purchase notice (in whole or in part) by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day immediately preceding the fundamental change purchase date. The notice of withdrawal shall state:

- the principal amount of the withdrawn Convertible Notes;
- if certificated Convertible Notes have been issued, the certificate numbers of the withdrawn Convertible Notes, or if not certificated, your notice must comply with appropriate DTC procedures; and
- the principal amount, if any, of each Convertible Note that remains subject to the purchase notice, which must be such that the principal amount not to be purchased equals $25.00 or an integral multiple of $25.00 in excess thereof.

We will be required to purchase the Convertible Notes on the fundamental change purchase date, subject to extensions to comply with applicable law. You will receive payment of the fundamental change purchase price on the later of (i) the fundamental change purchase date or (ii) the time of book-entry transfer or the delivery of the Convertible Notes. If the paying agent holds money sufficient to pay the fundamental change purchase price of the Convertible Notes on the fundamental change purchase date, then:

- the Convertible Notes will cease to be outstanding and interest will cease to accrue (whether or not book-entry transfer of the Convertible Notes is made or whether or not the Convertible Notes are delivered to the paying agent); and

- all other rights of the holder will terminate (other than the right to receive the fundamental change purchase price and previously accrued and unpaid interest upon delivery or transfer of the Convertible Notes).

In connection with any purchase offer pursuant to a fundamental change purchase notice, we will, if required:

- comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable;

- file a Schedule TO or any other required schedule under the Exchange Act; and

- comply with any other U.S. federal or state securities laws applicable to us in connection with such repurchase offer.

If a fundamental change were to occur, we may not have sufficient funds to pay the fundamental change purchase price. No Convertible Notes may be purchased at the option of holders upon a fundamental change if the principal amount of the Convertible Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by us in the payment of the fundamental change purchase price with respect to such Convertible Notes).

The purchase rights of the holders could discourage a potential acquirer of us. The fundamental change purchase feature, however, is not the result of management's knowledge of any specific effort to obtain control of us by any means or part of a plan by management to adopt a series of anti-takeover provisions.

The term fundamental change is limited to specified transactions and may not include other events that might adversely affect our financial condition. In addition, the requirement that we offer to purchase the Convertible Notes upon a fundamental change may not protect holders in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

The definition of fundamental change includes a phrase relating to the conveyance, transfer, sale, lease or disposition of "all or substantially all" of our consolidated assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of the Convertible Notes to require us to purchase its Convertible Notes as a result of the conveyance, transfer, sale, lease or other disposition of less than all of our assets may be uncertain.

If a fundamental change were to occur, we may not have enough funds to pay the fundamental change purchase price. Our ability to repurchase the Convertible Notes for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries, the terms of our then existing borrowing arrangements or otherwise. See "Risk Factors—Risks Related to the Notes and to this Offering—We may not have the ability to raise funds necessary to settle conversions of the Convertible Notes or to purchase the Convertible Notes upon a fundamental change." If we fail to purchase the Convertible Notes when required following a fundamental change, we will be in default under the indenture. In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting our holders to accelerate or to require us to purchase our indebtedness upon the occurrence of similar events or on some specific dates.

Consolidation, Merger and Sale of Assets

The indenture provides that we shall not amalgamate or consolidate with, merge with or into, or convey, transfer or lease our properties and assets substantially as an entirety to another person, unless (i) we are the surviving person or the resulting, surviving or transferee person (if not us) is a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such person (if not us) shall expressly assume, by supplemental indenture, executed and delivered to the trustee, in form satisfactory to the trustee, all of our obligations under the Convertible Notes and the indenture; and (ii) immediately after giving effect to such

transaction, no default or event of default has occurred and is continuing under the indenture with respect to the Convertible Notes. Upon any such amalgamation, consolidation, merger, conveyance, transfer or lease, the resulting, surviving or transferee person (if not us) shall succeed to, and may exercise every right and power of ours under the indenture, and we shall be discharged from our obligations under the Convertible Notes and the indenture except in the case of any such lease.

Although these types of transactions are permitted under the indenture, certain of the foregoing transactions could constitute a fundamental change permitting each holder to require us to purchase the Convertible Notes of such holder as described above.

Events of Default

Each of the following is an event of default with respect to the Convertible Notes:

(1) default in any payment of interest on any Convertible Note when due and payable, and the default continues for a period of thirty (30) days;

(2) default in the payment of principal of any Convertible Note (including the fundamental change purchase price or the redemption price) when due and payable on the maturity date, upon redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(3) failure by us to comply with our obligation to convert the Convertible Notes into the amount of cash or the combination of cash and shares of common stock, if any, in accordance with the indenture upon exercise of a holder's conversion right and that failure continues for five (5) business days;

(4) failure by us to comply with our obligations under "—Consolidation, Merger and Sale of Assets" above;

(5) failure by us to issue a notice in accordance with the provisions of "—Fundamental Change Permits Holders to Require Us to Purchase Convertible Notes" or "—Conversion Rights—Conversion Upon Specified Corporate Events" above when due;

(6) failure by us for sixty (60) days after written notice from the trustee or the holders of at least 25% in principal amount of the Convertible Notes then outstanding (a copy of which notice, if given by holders, must also be given to the trustee) has been received by us to comply with any of our agreements contained in the Convertible Notes or the indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically provided for or which does not apply to the Convertible Notes), which notice shall state that it is a "Notice of Default" under the indenture;

(7) failure by us or any subsidiary to pay beyond any applicable grace period, or the acceleration of, indebtedness of ours or any of our subsidiaries in an aggregate amount greater than $25,000,000 (or its foreign currency equivalent at the time);

(8) a final judgment or judgments for the payment of $25,000,000 (or its foreign currency equivalent) or more (excluding any amounts covered by insurance) in the aggregate rendered against us or our subsidiaries (other than securitization entities), which judgment is not discharged, bonded, paid, waived or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished; or

(9) certain events of bankruptcy, insolvency, or reorganization of us or any significant subsidiary (as defined in Article 1, Rule 1-02 of Regulation S-X) of us.

If an event of default other than an event of default arising under clause (9) above with respect to us occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of then outstanding

Convertible Notes by notice to us and the trustee, may, and the trustee at the request of such holders shall, declare 100% of the principal of, and accrued and unpaid interest, if any, on, all then outstanding Convertible Notes to be due and payable. In addition, upon an event of default arising under clause (9) above with respect to us, 100% of the principal of and accrued and unpaid interest on the Convertible Notes will automatically become due and payable. Upon any such acceleration, the principal of and accrued and unpaid interest, if any, on the Convertible Notes will be due and payable immediately.

The holders of a majority in principal amount of the outstanding Convertible Notes may waive (including, by way of consents obtained in connection with a repurchase of, or tender or exchange offer for, the Convertible Notes) all past defaults (except with respect to nonpayment of principal or interest, the failure to deliver the consideration due upon conversion or any other provision that requires the consent of each affected holder to amend), and rescind any acceleration with respect to the Convertible Notes and its consequences if (i) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing events of default, other than the nonpayment of the principal of and interest on the Convertible Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Notwithstanding the foregoing, the indenture will provide that, to the extent we elect, the sole remedy for an event of default in respect of the Convertible Notes relating to (i) our failure to file with the trustee pursuant to Section 314(a)(1) of the Trust Indenture Act any documents or reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act or (ii) our failure to comply with our obligations as set forth under "—Reports" below, will after the occurrence of such an event of default consist exclusively of the right to receive additional interest on the Convertible Notes at a rate equal to (x) 0.25% per annum of the principal amount of the Convertible Notes outstanding for the first 90 days of the 180-day period on which such event of default is continuing beginning on, and including, the date on which such an event of default first occurs and (y) 0.50% per annum of the principal amount of the Convertible Notes outstanding for the last 90 days of such 180-day period as long as such event of default is continuing. If we so elect, such additional interest will be payable in the same manner and on the same dates as the stated interest payable on the Convertible Notes. On the 181st day after such event of default (if the event of default relating to the reporting obligations is not cured or waived prior to such 181st day), the Convertible Notes will be subject to acceleration as provided above. The provisions of the indenture described in this paragraph will not affect the rights of holders of Convertible Notes in the event of the occurrence of any other event of default. If we do not elect to pay the additional interest following an event of default in accordance with this paragraph or we elected to make such payment but do not pay the additional interest when due, the Convertible Notes will be immediately subject to acceleration as provided above.

In order to elect to pay the additional interest as the sole remedy during the first 180 days after the occurrence of an event of default relating to the failure to comply with the reporting obligations in accordance with the immediately preceding paragraph, we must notify all holders of the Convertible Notes, the trustee and the paying agent of such election prior to the beginning of such 180-day period. Upon our failure to timely give such notice, the Convertible Notes will be immediately subject to acceleration as provided above.

If any portion of the amount payable on the Convertible Notes upon acceleration is considered by a court to be unearned interest (through the allocation of the value of the instrument to the embedded warrant or otherwise), the court could disallow recovery of any such portion.

Subject to the provisions of the indenture relating to the duties of the trustee, if an event of default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense. In addition, except to enforce the right to receive payment of the principal of, or interest on, or fundamental change purchase price with respect to, its Convertible Notes when due, or the right to receive payment or delivery of the consideration due upon conversion of its Convertible Notes, no holder of Convertible Notes may pursue any remedy with respect to the indenture or the Convertible Notes unless:

(1) such holder has previously given the trustee notice that an event of default is continuing;

(2) holders of at least 25% in principal amount of then outstanding Convertible Notes have requested the trustee to pursue the remedy;

(3) such holders have offered the trustee indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity; and

(5) the holders of a majority in principal amount of the outstanding Convertible Notes have not given the trustee a direction that is inconsistent with such request within such 60-day period.

However, each holder shall have the right, which is absolute and unconditional, to receive the principal of, interest on, fundamental change purchase price with respect to, and the amount of cash or the combination of cash and shares of common stock, if any, as the case may be, due upon conversion of its Convertible Notes and to institute suit for the enforcement of any such payment or delivery, as the case may be, and such rights shall not be impaired without the consent of such holder. In addition, subject to certain restrictions, the holders of a majority in principal amount of the outstanding Convertible Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee with respect to the Convertible Notes.

The indenture provides that in the event an event of default has occurred and is continuing, the trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee will be entitled to indemnification reasonably satisfactory to it against all losses and expenses caused by taking or not taking such action.

If a default occurs and is continuing and is actually known to the trustee, the trustee must transmit notice of the default to each holder within 90 days after it occurs. Except in the case of a default in the payment of principal (including the fundamental change purchase price) of or interest on any Convertible Note or a default in the payment or delivery, as the case may be, of the consideration due upon conversion, the trustee shall be protected in withholding such notice if and so long as the trustee in good faith determines that the withholding of such notice is in the interests of the holders of the Convertible Notes. In addition, we are required to deliver to the trustee, within 120 days after the end of each fiscal year, an officers' certificate, stating whether or not to the knowledge of the signers thereof we are in default in the performance and observance of any of the terms, provisions and conditions of the indenture (without regard to any period of grace or requirement of notice provided under the indenture) and, if we are in default, specifying all such defaults and the nature and the status thereof of which they may have knowledge. We also are required to deliver to the trustee, as soon as possible, and in any event within 30 days after we become aware of the occurrence of any default or event of default, an officers' certificate setting forth such defaults or events of default, as applicable, their status and what action we are taking or propose to take in respect thereof.

Modification and Amendment

Subject to certain exceptions, the indenture or the Convertible Notes may be amended, and compliance with any provisions of the indenture may be waived, with the consent of the holders of a majority of the principal amount of the Convertible Notes then outstanding (including, in each case, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Convertible Notes). However, without the consent of each holder of a then outstanding Convertible Note affected, no amendment may, among other things:

(1) reduce the percentage in aggregate principal amount of Convertible Notes outstanding necessary to waive any past default or event of default;

(2) reduce the rate of interest on any Convertible Note or change the time for payment of interest on any Convertible Note;

(3) reduce the principal of any Convertible Note or the amount payable upon redemption of any Convertible Note or change the maturity date of any Convertible Note;

(4) change the place or currency of payment on any Convertible Note;

(5) make any change that impairs or adversely affects the conversion rights of any Convertible Notes;

(6) reduce the fundamental change purchase price of any Convertible Note or amend or modify in any manner adverse to the rights of the holders of the Convertible Notes our obligation to pay the fundamental change purchase price, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(7) impair the right of any holder to receive payment of principal of and interest, if any, on, its Convertible Notes, or the right to receive the amounts in cash and/or shares of our common stock, if any, due upon conversion of its Convertible Notes on or after the due date therefor or to institute suit for the enforcement of any such payment or delivery, as the case may be, with respect to such holder's Convertible Notes;

(8) modify the ranking provisions of the indenture in a manner that is adverse to the rights of the holders of the Convertible Notes; or

(9) make any change in the provisions described in this "Modification and Amendment" section that requires each holder's consent or in the waiver provisions if such change is adverse to the rights of the holders of the Convertible Notes.

Without the consent of any holder of the Convertible Notes, we and the trustee may amend the indenture or the Convertible Notes:

(1) to conform the terms of the indenture or the Convertible Notes to the description thereof in the applicable preliminary prospectus supplement, as supplemented by the issuer free writing prospectus related to the offering of the Convertible Notes;

(2) to evidence the succession by a successor corporation and to provide for the assumption by a successor corporation of our obligations under the indenture;

(3) to add guarantees with respect to the Convertible Notes and to remove guarantees in accordance with the terms of the indenture and the Convertible Notes;

(4) to secure the Convertible Notes;

(5) to add to our covenants such further covenants, restrictions or conditions for the benefit of the holders or to surrender any right or power conferred upon us;

(6) to cure any ambiguity, omission, defect or inconsistency in the indenture or the Convertible Notes, including to eliminate any conflict with the terms of the Trust Indenture Act, so long as such action will not materially adversely affect the interests of holders of the Convertible Notes;

(7) to make any change that does not adversely affect the rights of any holder of the Convertible Notes;

(8) to increase the conversion rate pursuant to the provisions of "—Conversion Rights—Conversion Rate Adjustments";

(9) to provide for a successor trustee;

(10) to comply with the applicable procedures of the depositary; or

(11) to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act.

Holders do not need to approve the particular form of any proposed amendment. It will be sufficient if such holders approve the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Discharge

We may satisfy and discharge our obligations under the indenture by delivering to the securities registrar for cancellation all outstanding Convertible Notes or by depositing with the trustee or delivering to the holders, as applicable, after the Convertible Notes have become due and payable, whether at the maturity date, any fundamental change purchase date, upon conversion or otherwise, cash or cash and shares of common stock, if any (solely to satisfy outstanding conversions, if applicable), sufficient to pay all of the outstanding Convertible Notes and paying all other sums payable under the indenture by us. Such discharge is subject to terms contained in the indenture.

Calculations in Respect of Convertible Notes

Except as otherwise provided above, we will be responsible for making all calculations called for under the Convertible Notes. These calculations include, but are not limited to, determinations of the last reported sale prices of our common stock, accrued interest payable on the Convertible Notes and the conversion rate of the Convertible Notes. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of Convertible Notes. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and each of the trustee and the conversion agent is entitled to rely conclusively upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of Convertible Notes upon the written request of that holder.

Reports

The indenture requires us to file with the trustee, within 15 days after we are required to file the same with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, and to otherwise comply with Section 314(a) of the Trust Indenture Act. Any such report, information or document that we file with the SEC through the EDGAR system (or any successor thereto) will be deemed to be delivered to the trustee for the purposes of this covenant at the time of such filing through the EDGAR system (or such successor thereto), provided, however, that the trustee shall have no obligation whatsoever to determine whether or not such filing has occurred.

Delivery of any such reports, information and documents to the trustee shall be for informational purposes only, and the trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants hereunder.

Trustee

U.S. Bank National Association will be the trustee, security registrar, paying agent and conversion agent. U.S. Bank National Association, in each of its capacities, including without limitation as trustee, security registrar, paying agent and conversion agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Governing Law

The indenture provides that it and the Convertible Notes are governed by, and construed in accordance with, the internal laws of the State of New York, including without limitation, sections 5-1401 and 5-1402 of the New York General Obligations Law and New York Civil Practice Laws and Rules 327(b).

Book-Entry, Settlement and Clearance

The Global Convertible Notes

The Convertible Notes were initially issued in the form of one or more registered Convertible Notes in global form, without interest coupons, which we refer to as the global Convertible Notes. Upon issuance, each of the global Convertible Notes will be deposited with the trustee as custodian for DTC, which will serve as the initial securities depositary, and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in a global Convertible Note will be limited to persons who have accounts with DTC, which we refer to as DTC participants, or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

- upon deposit of a global Convertible Note with DTC's custodian, DTC will credit portions of the principal amount of the global Convertible Note to the accounts of the DTC participants designated by the underwriter; and

- ownership of beneficial interests in a global Convertible Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global Convertible Note).

Beneficial interests in global Convertible Notes may not be exchanged for Convertible Notes in physical, fully-registered certificated form except in the limited circumstances described below. We may not issue the Convertible Notes in bearer form.

Book-Entry Procedures for the Global Convertible Notes

All interests in the global Convertible Notes will be subject to the operations and procedures of DTC and, therefore, you must allow for sufficient time in order to comply with these procedures if you wish to exercise any of your rights with respect to the Convertible Notes. We provide the following summary of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by that settlement system and may be changed at any time. Neither we nor the underwriter is responsible for those operations or procedures.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;

- a “banking organization” within the meaning of the New York State banking law;

- a member of the Federal Reserve System;

- a “clearing corporation” within the meaning of the Uniform Commercial Code; and

- a “clearing agency” registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the underwriter; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global Convertible Note, that nominee will be considered the sole owner or holder of the Convertible Notes represented by that global Convertible Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global Convertible Note:

- will not be entitled to have Convertible Notes represented by the global Convertible Note registered in their names;
- will not receive or be entitled to receive physical, certificated Convertible Notes; and
- will not be considered the owners or holders of the Convertible Notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global Convertible Note must rely on the procedures of DTC to exercise any rights of a holder of Convertible Notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal and interest with respect to the Convertible Notes represented by a global Convertible Note will be made by the trustee to DTC's nominee as the registered holder of the global Convertible Note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global Convertible Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global Convertible Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Certificated Convertible Notes

The Convertible Notes in physical, fully- registered certificated form will be issued and delivered to each person that the depositary identifies as a beneficial owner of the related Convertible Notes only if:

- the depositary notifies us that it is unwilling, unable or no longer permitted under applicable law to continue as depositary for that global Convertible Note and we do not appoint another institution to act as depositary within 90 days;
- we notify the trustee that we wish to terminate that global Convertible Note (or reduce the principal amount of that global Convertible Note) and the beneficial owners of the majority of the principal amount of that global Convertible Note (or of the majority of the principal amount of that global Convertible Note to be reduced) consent to such termination; or
- an event of default has occurred with regard to the Convertible Notes represented by the relevant global Convertible Note, such event of default has not been cured or waived and a beneficial owner of the global Convertible Note requests that its Convertible Notes be issued in physical, certificated form.

THE 2021 NOTES

General

The 2021 Notes are a single series under the indenture, initially in the aggregate principal amount of $50.0 million. The 2021 Notes were issued only in fully registered form without coupons, in minimum denominations of

$25.00 and integral multiples of $25.00 in excess thereof. The 2021 Notes are evidenced by one or more global 2021 Notes in book-entry form, except under the limited circumstances described under "—Certificated 2021 Notes."

The 2021 Notes are convertible into or exchangeable for shares of our common stock.

Ranking

The 2021 Notes:

- are our senior unsecured obligations;
- are not guaranteed by any of our subsidiaries, except to the extent described under "—Limitation on Unsecured Borrowing or Guarantees of Unsecured Borrowings by Subsidiaries";
- rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness;
- are effectively subordinated to any of our existing and future secured indebtedness, to the extent of the value of our assets that secured such indebtedness; and
- are structurally subordinated to all existing and future indebtedness, other liabilities (including trade payables) and preferred stock of our subsidiaries that do not guarantee the 2021 Notes and to any of our existing and future indebtedness that may be guaranteed by such subsidiaries to the extent of any such guarantees.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the 2021 Notes or to make any funds available to us for payment on the 2021 Notes, whether by dividends, loans or other payments, except that we intend to contribute the net proceeds from this offering to our Operating Partnership in exchange for the issuance by the Operating Partnership of a senior unsecured note (or the 2021 Mirror Note) with terms that are substantially equivalent to the terms of the 2021 Notes. As a result, the Operating Partnership is obligated to pay us amounts due and payable under the 2021 Mirror Note, which will rank equal in right of payment with all of the future unsecured and unsubordinated indebtedness of the Operating Partnership. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or other restrictions, may depend on their earnings or financial condition and are subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

Additional 2021 Notes

This series may be reopened and we may, from time to time, issue additional 2021 Notes of the same series ranking equally and ratably with the 2021 Notes and with terms identical to the 2021 Notes except with respect to issue date, issue price and accrued interest, if any, without notice to, or the consent of, any of the holders of the 2021 Notes. The additional 2021 Notes will be equal in rank with the 2021 Notes and carry the same right to receive accrued and unpaid interest on the 2021 Notes, and such additional 2021 Notes will form a single series with the 2021 Notes.

Interest

The 2021 Notes bear interest at a rate of 6.50% per year from, and including, April 27, 2018, and the subsequent interest periods will be the periods from, and including, an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be. Interest is payable quarterly in arrears on January 30, April 30, July 30 and October 30, and of each year, commencing July 30, 2018 to the persons in whose names the 2021 Notes are registered at the close of business on January 15, April 15, July 15, or October 15, as the case may be, immediately before the relevant interest payment date. All payments are made in U.S. dollars.

Interest payments are made only on a Business Day (as defined below). If any interest payment is due on a non-Business Day, we will make the payment on the next day that is a Business Day. Payments made on the next

Business Day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a Default (as defined below) under the 2021 Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a Business Day.

Accrued and unpaid interest is also payable on the date of maturity or earlier redemption of the 2021 Notes. Interest on the 2021 Notes are computed on the basis of a 360-day year consisting of twelve 30-day months.

"Business Day" means a day other than a Saturday, Sunday or any other day on which banking institutions in New York City or the location of the corporate trust office of the trustee are authorized or required by law, regulation or executive order to close.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default (as defined below).

Maturity

The 2021 Notes will mature on April 30, 2021 and will be paid against presentation and surrender thereof at the corporate trust office of the trustee, unless earlier redeemed by us at our option as described under "—Optional Redemption of the 2021 Notes" and "—Certain Covenants—Offer to Repurchase Upon a Change of Control Repurchase Event." The 2021 Notes are not be entitled to the benefits of, or be subject to, any sinking fund.

Optional Redemption of the 2021 Notes

We may redeem for cash all or any portion of the 2021 Notes, at our option, on or after April 30, 2019 and before April 30, 2020 at a redemption price equal to 101% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after April 30, 2020, we may redeem for cash all or any portion of the 2021 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

We are required to give notice of such redemption not less than 30 days nor more than 60 days prior to the redemption date to each holder's address appearing in the securities register maintained by the trustee. In the event we elect to redeem less than all of the 2021 Notes, the particular 2021 Notes to be redeemed will be selected by the trustee by such method as the trustee shall deem fair and appropriate.

Certain Covenants

In addition to the covenants contained in the base indenture, including, among others, the covenants relating to information rights and consolidation, merger and sale of assets, the indenture contains the following covenants.

Limitation on Liens to Secure Payment of Ready Capital Corporation Borrowings

We will not, and will not permit any of our subsidiaries to, directly or indirectly, create, incur or suffer to exist any lien that secures obligations under any of our indebtedness (other than guarantees of indebtedness of its subsidiaries) on any of our or our subsidiaries' assets or property, unless the 2021 Notes are equally and ratably secured with the obligations secured by such other lien.

Any lien created for the benefit of the holders pursuant to the preceding paragraph may provide by its terms that such lien shall be automatically and unconditionally released and discharged upon the release and discharge of the lien that gave rise to the obligation to so secure the 2021 Notes.

Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries

We will not permit any of our subsidiaries to incur any unsecured indebtedness or guarantee the payment of, assume or in any other manner become liable with respect to any unsecured indebtedness of Ready Capital Corporation or of any of our subsidiaries (other than (1) a mirror note issued by our Operating Partnership to Ready Capital Corporation in connection with the incurrence by Ready Capital Corporation of an unsecured borrowing, (2) other debt issued by our Operating Partnership that ranks equal in right of payment with the 2021 Mirror Note that was issued to Ready Capital Corporation in connection with the offering of the 2021 Notes, (3) other indebtedness in an

aggregate outstanding principal amount which when taken together with the principal amount of all other indebtedness incurred, guaranteed, assumed or for which a subsidiary has become liable for pursuant to this clause (3) and then outstanding will not exceed the greater of (a) $25 million and (b) 5% of our total stockholders' equity) or (4) intercompany loans or other indebtedness where the borrower and lender are both our subsidiaries, provided that if a future subsidiary guarantor of the 2021 Notes is the obligor on any such intercompany indebtedness which is owed to a subsidiary which is not a guarantor of the 2021 Notes, the intercompany indebtedness will be expressly subordinated in right of payment to the 2021 Note guarantee, unless prior to incurring, guaranteeing, assuming or becoming liable with respect to such indebtedness, such subsidiary executes and delivers a supplemental indenture providing for a guarantee of the obligations under 2021 Notes and the indenture in the same or higher ranking as, and otherwise be on terms comparable or better than, such unsecured indebtedness or guarantee provided by such subsidiary of such other unsecured indebtedness.

We may elect, in our sole discretion, to cause any subsidiary that is not otherwise required to be a guarantor to become a guarantor. The guarantee will be limited as necessary to prevent such guarantee from constituting a fraudulent conveyance under applicable law.

A guarantor will be released from its obligations under its guarantee upon the release or discharge of any other indebtedness or guarantee in respect of other indebtedness that resulted in the issuance of the guarantee of the 2021 Notes.

Offer to Repurchase Upon a Change of Control Repurchase Event

If a Change of Control Repurchase Event (as defined below) occurs, unless we have exercised our option to redeem the 2021 Notes as described under "—Optional Redemption of the 2021 Notes," we will make an offer to each holder to repurchase all or any part (in a minimum principal amount of $25.00 and integral multiples of $25.00 in excess thereof) of that holder's 2021 Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of 2021 Notes repurchased plus any accrued and unpaid interest on the 2021 Notes repurchased to, but not including, the date of repurchase. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control Repurchase Event, but after the public announcement of the Change of Control Repurchase Event, we will give notice to each holder with copies to the trustee and the paying agent (if other than the trustee) describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase 2021 Notes on the payment date specified in the notice, which will be no earlier than 30 days and no later than 60 days from the date such notice is given. The notice shall, if given prior to the date of consummation of the Change of Control Repurchase Event, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 2021 Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the 2021 Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the indenture by virtue of such conflict.

On the Change of Control Repurchase Event payment date, we will, to the extent lawful:

- Accept for payment all 2021 Notes or portions of 2021 Notes properly tendered pursuant to our offer;
- Deposit with the paying agent an amount equal to the aggregate purchase price in respect of all 2021 Notes or portions of 2021 Notes properly tendered; and
- Deliver or cause to be delivered to the trustee the 2021 Notes properly accepted, together with an officers' certificate stating the aggregate principal amount of 2021 Notes being purchased by us.

The paying agent will promptly send to each holder of 2021 Notes properly tendered the purchase price for the 2021 Notes, and the trustee will promptly authenticate and send (or cause to be transferred by book-entry) to each holder a new 2021 Note equal in principal amount to any unpurchased portion of any 2021 Notes surrendered;

provided that each new 2021 Note will be in a minimum principal amount of $25.00 and integral multiples of $25.00 in excess thereof.

We will not be required to make an offer to repurchase the 2021 Notes upon a Change of Control Repurchase Event if (i) we or our successor delivered a notice to redeem in the manner, at the times and otherwise in compliance with the optional redemption and repayment provision described above prior to the occurrence of the Change of Control Repurchase Event (and all of the 2021 Notes are redeemed pursuant to such redemption on the related redemption date); or (ii) a third party makes an offer in respect of the 2021 Notes in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all 2021 Notes properly tendered and not withdrawn under its offer.

There can be no assurance that sufficient funds will be available at the time of any Change of Control Repurchase Event to make required repurchases of 2021 Notes tendered. Our failure to repurchase the 2021 Notes upon a Change of Control Repurchase Event would result in an Event of Default under the indenture. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the 2021 Notes.

"Capital Stock" means, with respect to any entity, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting), including partnership or limited liability company interests, whether general or limited, in the equity of such entity (including without limitation all warrants, options, derivative instruments, or rights of subscription or conversion relating to or affecting Capital Stock), whether outstanding on the issue date of the 2021 Notes or issued thereafter.

"Change of Control Repurchase Event" means (A) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of the Capital Stock (as defined above) entitling that person to exercise more than 50% of the total voting power of all the Capital Stock entitled to vote generally in the election of the Company's directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and (B) following the closing of any transaction referred to in subsection (A), neither the Company nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex Equities, or the NYSE Amex, or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or the Nasdaq Stock Market.

Reports

The indenture requires us to file with the trustee, within 15 days after we file the same with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, and to otherwise comply with Section 314(a) of the Trust Indenture Act. Any such report, information or document that we file with the SEC through the EDGAR system (or any successor thereto) will be deemed to be delivered to the trustee for the purposes of this covenant at the time of such filing through the EDGAR system (or such successor thereto), provided, however, that the trustee shall have no obligation whatsoever to determine whether or not such filing has occurred.

Delivery of any such reports, information and documents to the trustee shall be for informational purposes only, and the trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants hereunder.

Events of Default

The following will be "Events of Default" under the indenture with respect to the 2021 Notes:

- default in the payment of any principal of or premium, if any, on or redemption price with respect to the 2021 Notes when due;

- default in the payment of any interest on the 2021 Notes when due and payable, which continues for 30 days;
- default under the merger covenant contained in the indenture;
- default in tendering payment for the 2021 Notes upon a Change of Control Repurchase Event, when such payment remains unpaid 60 days after issuance of the requisite notice;
- default in the performance of any other obligation of the Company contained in the indenture or the 2021 Notes (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically provided for or which does not apply to the 2021 Notes), which continues for 90 days after written notice from the trustee or the holders of more than 25% of the aggregate outstanding principal amount of the 2021 Notes;
- an event of default, as defined in any bond, note, debenture or other evidence of debt of us or any Significant Subsidiary in excess of $35,000,000 singly or in aggregate principal amount of such issues of such persons, whether such debt exists now or is subsequently created, which becomes accelerated so as to be due and payable prior to the date on which the same would otherwise become due and payable and such acceleration(s) shall not have been annulled or rescinded within 30 days of such acceleration or the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default; provided, however, that if such event of default, acceleration(s) or payment default(s) are contested by us, a final and non-appealable judgment or order confirming the existence of the default(s) and/or the lawfulness of the acceleration(s), as the case may be, shall have been entered;
- any final and non-appealable judgment or order for the payment of money in excess of $35,000,000 singly, or in the aggregate (excluding any amounts covered by insurance) for all such final judgments or orders against all such persons: (i) shall be rendered against us or any Significant Subsidiary and shall not be paid or discharged and (ii) there shall be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed $35,000,000 during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; and
- specified events in bankruptcy, insolvency or reorganization of us or any Significant Subsidiary (as defined below) (each, a "Bankruptcy Event").

"Significant Subsidiary" means each of our significant subsidiaries, if any, as defined in Rule 1- 02(w) of Regulation S-X under the Securities Act.

Remedies if an Event of Default Occurs

If an Event of Default with respect to the outstanding 2021 Notes occurs and is continuing (other than an Event of Default involving a Bankruptcy Event), the trustee or the holders of not less than 25% in aggregate principal amount of the 2021 Notes may declare the principal thereof, premium, if any, and all unpaid interest thereon to be due and payable immediately. If an Event of Default involving a Bankruptcy Event shall occur, the principal amount (or specified amount) of accrued and unpaid interest, if any, on all outstanding 2021 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of outstanding 2021 Notes.

At any time after the trustee or the holders of the 2021 Notes have accelerated the repayment of the principal, premium, if any, and all unpaid interest on the 2021 Notes, but before the trustee has obtained a judgment or decree for payment of money due, the holders of a majority in aggregate principal amount of outstanding 2021 Notes may rescind and annul that acceleration and its consequences, provided that all payments and/or deliveries due, other than those due as a result of acceleration, have been made and all Events of Default have been remedied or waived.

The holders of a majority in principal amount of the outstanding 2021 Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the 2021 Notes, provided that (i) such direction is not in conflict with any rule of law or the indenture, (ii) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (iii) the trustee need not take any action that might involve it in personal liability or be unduly prejudicial to the holders not joining therein. Before proceeding to exercise any right or power under the indenture at the direction of the holders, the trustee is entitled to receive from those holders security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which it might incur in complying with any direction.

A holder of the 2021 Notes have the right to institute a proceeding with respect to the indenture or for any remedy under the indenture, if:

- that holder or holders of not less than 25% in principal amount of the outstanding 2021 Notes have given to the trustee written notice of a continuing Event of Default with respect to the 2021 Notes;
- such holder or holders have offered the trustee indemnification or security reasonably satisfactory to the trustee against the costs, expenses and liabilities incurred in connection with such request;
- the trustee has not received from the holders of a majority in principal amount of the outstanding 2021 Notes a written direction inconsistent with the request within 60 days; and
- the trustee fails to institute the proceeding within 60 days.

However, the holder of a 2021 Note has the right, which is absolute and unconditional, to receive payment of the principal of and interest on such 2021 Note on the respective due dates (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such holder.

The Registrar and Paying Agent

We initially designated the trustee as the registrar and paying agent for the 2021 Notes. Payments of interest and principal are made, and the 2021 Notes are transferable, at the office of the paying agent, or at such other place or places as may be designated pursuant to the indenture. For 2021 Notes which we issue in book-entry form evidenced by a global security, payments will be made to a nominee of the depository.

No Personal Liability

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the 2021 Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of ours in the indenture, or in any of the 2021 Notes or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or of any successor person thereof. Each holder, by accepting the 2021 Notes, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the 2021 Notes.

Governing Law

The indenture and the 2021 Notes are governed by the laws of the State of New York.

Book-Entry, Delivery and Form

We have obtained the information in this section concerning DTC and its book-entry systems and procedures from sources that we believe to be reliable. We take no responsibility for an accurate portrayal of this information. In addition, the description of the clearing system in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

The 2021 Notes are initially be represented by one fully registered global 2021 Notes. Such global 2021 Note is deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co. (DTC's nominee).

So long as DTC or its nominee is the registered owner of the global securities representing the 2021 Notes, DTC or such nominee will be considered the sole owner and holder of the 2021 Notes for all purposes of the 2021 Notes and the indenture. Except as provided below, owners of beneficial interests in the 2021 Notes are not entitled to have the 2021 Notes registered in their names, will not receive or be entitled to receive physical delivery of the 2021 Notes in definitive form and will not be considered the owners or holders under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a 2021 Note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder.

Unless and until we issue the 2021 Notes in fully certificated, registered form under the limited circumstances described under the heading "Certificated 2021 Notes":

- you will not be entitled to receive a certificate representing your interest in the 2021 Notes;
- all references herein to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references herein to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the 2021 Notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC acts as securities depositary for the 2021 Notes. The 2021 Notes were issued as fully registered 2021 Notes registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants. Indirect participants of DTC, such as securities brokers and dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

Purchases of 2021 Notes under DTC's system must be made by or through direct participants, which will receive a credit for the 2021 Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership

interests in the 2021 Notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the 2021 Notes, except as provided under "— Certificated 2021 Notes."

To facilitate subsequent transfers, all 2021 Notes deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of 2021 Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the 2021 Notes. DTC's records reflect only the identity of the direct participants to whose accounts such 2021 Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the paying agent pays interest or principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who then forward the payment to the indirect participants or to you as the beneficial owner. You may experience some delay in receiving your payments under this system. Neither we, the trustee, nor any paying agent has any direct responsibility or liability for the payment of principal or interest on the 2021 Notes to owners of beneficial interests in the 2021 Notes.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the 2021 Notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to the 2021 Notes on your behalf. We and the trustee under the indenture have no responsibility for any aspect of the actions of DTC or any of its direct or indirect participants. In addition, we and the trustee under the indenture have no responsibility or liability for any aspect of the records kept by DTC or any of its direct or indirect participants relating to or payments made on account of beneficial ownership interests in the 2021 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We also do not supervise these systems in any way.

The trustee does not recognize you as a holder under the indenture, and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a 2021 Note if one or more of the direct participants to whom the 2021 Note is credited directs DTC to take such action and only in respect of the portion of the aggregate principal amount of the 2021 Notes as to which that participant or participants has or have given that direction. DTC can only act on behalf of its direct participants. Your ability to pledge 2021 Notes to non-direct participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your 2021 Notes.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2021 Notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the 2021 Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Certificated 2021 Notes

Unless and until they are exchanged, in whole or in part, for 2021 Notes in definitive form in accordance with the terms of the 2021 Notes, the 2021 Notes may not be transferred except (1) as a whole by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor.

We will issue the 2021 Notes to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- we advise the trustee in writing that DTC is no longer willing or able to discharge its responsibilities properly or that DTC is no longer a registered clearing agency under the Exchange Act, and the trustee or we are unable to locate a qualified successor within 90 days;

- an Event of Default has occurred and is continuing under the indenture and a request for such exchange has been made; or

- we, at our option, elect to terminate the book-entry system through DTC.

If any of the three above events occurs, DTC is required to notify all direct participants that 2021 Notes in fully certificated registered form are available through DTC. DTC will then surrender the global 2021 Note representing the 2021 Notes along with instructions for re-registration. The trustee will re-issue the 2021 Notes in fully certificated registered form and will recognize the registered holders of the certificated 2021 Notes as holders under the indenture.

Unless and until we issue the 2021 Notes in fully certificated, registered form, (1) you will not be entitled to receive a certificate representing your interest in the 2021 Notes; (2) all references herein to actions by holders will refer to actions taken by the depositary upon instructions from their direct participants; and (3) all references herein to payments and notices to holders will refer to payments and notices to the depositary, as the registered holder of the 2021 Notes, for distribution to you in accordance with its policies and procedures.

THE 6.20% 2026 NOTES

General

The 6.20% 2026 Notes that we issued on July 22, 2019 in an aggregate principal amount of $57.5 million (the "existing 6.20% 2026 Notes") and the 6.20% 2026 Notes that we issued on December 2, 2019 and December 13, 2019 in an aggregate principal amount of $46.75 million (the "new 6.20% 2026 Notes" and together with the existing 6.20% 2026 Notes, the "6.20% 2026 Notes") are a single series under the indenture. The 6.20% 2026 Notes were issued only in fully registered form without coupons, in minimum denominations of $25 and integral multiples of $25 in excess thereof. The 6.20% 2026 Notes are evidenced by one or more global notes in book-entry only form, except under the limited circumstances described under "—Certificated 6.20% 2026 Notes."

The 6.20% 2026 Notes are not be convertible into, or exchangeable for, shares of our common stock or any other securities.

Ranking

The 6.20% 2026 Notes:

- are our senior unsecured obligations;

- are not guaranteed by any of our subsidiaries, except to the extent described herein under "—Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries";

- rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness;

- are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of our assets securing such indebtedness; and

- are structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) and preferred stock of our subsidiaries.

Unless our subsidiaries are required to guarantee the 6.20% 2026 Notes as described herein under "—Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries," our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the 6.20% 2026 Notes or to make any funds available to us for payment on the 6.20% 2026 Notes, whether by dividends, loans or other payments, except that we contributed the net proceeds from the offering of the existing 6.20% 2026 Notes to our Operating Partnership in exchange for the issuance by the Operating Partnership of the Existing 6.20% 2026 Mirror Note with terms that are substantially equivalent to the terms of the existing 6.20% 2026 Notes and intend to contribute the net proceeds from this offering to our Operating Partnership in exchange for the issuance by the Operating Partnership of the New 6.20% 2026 Mirror Note with terms that are substantially equivalent to the terms of the new 6.20% 2026 Notes. As a result, the Operating Partnership will be obligated to pay us amounts due and payable under the 6.20% 2026 Mirror Notes, which will rank equal in right of payment with all of the future unsecured and unsubordinated indebtedness of the Operating Partnership. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or

other restrictions, may depend on their earnings, cash flows and financial condition and are subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

Additional 6.20% 2026 Notes

The series of debt securities of which the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes are a part may be reopened and we may, from time to time, issue additional debt securities, or additional 6.20% 2026 Notes, of the same series ranking equally and ratably with the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes and with terms identical to the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes except with respect to issue date, issue price and, if applicable, the date from which interest will accrue, without notice to, or the consent of, any of the holders of the 6.20% 2026 Notes, provided that if any such additional 6.20% 2026 Notes are not fungible with the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes for U.S. federal income tax purposes, such additional 6.20% 2026 Notes will have separate CUSIP and ISIN numbers from the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes. The additional 6.20% 2026 Notes will carry the same right to receive accrued and unpaid interest on the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes, and such additional 6.20% 2026 Notes will form a single series of debt securities with the existing 6.20% 2026 Notes and the new 6.20% 2026 Notes.

Interest

The 6.20% 2026 Notes bear interest at a rate of 6.20% per year. The existing 6.20% 2026 Notes bear interest from, and including, July 18, 2019, and the new 6.20% 2026 Notes bear interest from, and including, October 30, 2019. The subsequent interest periods will be the periods from, and including, an interest payment date to, but excluding, the next interest payment date or the stated maturity date or earlier redemption or repurchase date, as the case may be. Interest on the notes is payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, to the persons in whose names the 6.20% 2026 Notes are registered at the close of business on January 15, April 15, July 15, or October 15, as the case may be, immediately before the relevant interest payment date. All payments are made in U.S. dollars.

Interest payments will be made only on a Business Day. If any interest payment is due on a non-Business Day, we will make the payment on the next day that is a Business Day. Payments made on the next Business Day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a Default under the 6.20% 2026 Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a Business Day.

Interest on the 6.20% 2026 Notes is computed on the basis of a 360 day year consisting of twelve 30 day months.

Maturity

The 6.20% 2026 Notes will mature on July 30, 2026 and will be paid against presentation and surrender thereof at the corporate trust office of the trustee, unless earlier redeemed by us at our option as described herein under "—Optional Redemption of the 6.20% 2026 Notes" or repurchased by us as described herein under "—Certain Covenants—Offer to Repurchase Upon a Change of Control Repurchase Event." The 6.20% 2026 Notes are not entitled to the benefits of, or subject to, any sinking fund.

Optional Redemption of the 6.20% 2026 Notes

We may redeem for cash all or any portion of the 6.20% 2026 Notes, at our option, on or after July 30, 2022 and before July 30, 2025, at a redemption price equal to 101% of the principal amount of the 6.20% 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. On or after July 30, 2025 we may redeem for cash all or any portion of the 6.20% 2026 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 6.20% 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Notwithstanding the foregoing, interest due on an interest payment date falling on or prior to a redemption date will be payable to holders at the close of business on the record date for such interest payment date.

We are required to give notice of such redemption not less than 30 days nor more than 60 days prior to the redemption date to each holder at its address appearing in the securities register maintained by the trustee. In the event we elect to redeem less than all of the 6.20% 2026 Notes, the particular 6.20% 2026 Notes to be redeemed will be selected by the trustee by such method as the trustee shall deem fair and appropriate.

Certain Covenants

In addition to certain covenants contained in the indenture, including, among others, the covenants described under "—Reports" and "—Consolidation, Merger and Sale of Assets" below, the indenture contains the following covenants.

Limitation on Liens to Secure Payment of Ready Capital Corporation Borrowings

We will not, and will not permit any of our subsidiaries to, directly or indirectly, create, incur or suffer to exist any lien that secures obligations under any indebtedness of Ready Capital Corporation (other than guarantees of indebtedness of its subsidiaries) on any of our or our subsidiaries' assets or property, unless the 6.20% 2026 Notes are equally and ratably secured with the obligations secured by such other lien.

Any lien created for the benefit of the holders pursuant to the preceding paragraph may provide by its terms that such lien shall be automatically and unconditionally released and discharged upon the release and discharge of the lien that gave rise to the obligation to so secure the 6.20% 2026 Notes.

Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries

We will not permit any of our subsidiaries to incur any unsecured indebtedness or guarantee the payment of, assume or in any other manner become liable with respect to any unsecured indebtedness of Ready Capital Corporation or of any of our subsidiaries (other than (1) a mirror note issued by our Operating Partnership to Ready Capital Corporation in connection with the incurrence by Ready Capital Corporation of an unsecured borrowing, (2) other debt issued by our Operating Partnership that ranks equal in right of payment with the mirror note issued Ready Capital Corporation in connection with the offering of the 6.20% 2026 Notes, (3) other indebtedness in an aggregate outstanding principal amount which when taken together with the principal amount of all other indebtedness incurred, guaranteed, assumed or for which a subsidiary has become liable for pursuant to this clause (3) and then outstanding will not exceed the greater of (a) $25 million and (b) 5% of our total stockholders' equity or (4) intercompany loans or other indebtedness where the borrower and lender are both our subsidiaries, provided that if a future subsidiary guarantor of the 6.20% 2026 Notes is the obligor on any such intercompany indebtedness which is owed to a subsidiary which is not a guarantor of the 6.20% 2026 Notes, the intercompany indebtedness will be expressly subordinated in right of payment to the 6.20% 2026 Note guarantee), unless prior to incurring, guaranteeing, assuming or becoming liable with respect to such indebtedness, such subsidiary executes and delivers a supplemental indenture providing for a guarantee of the obligations under 6.20% 2026 Notes and the indenture in the same or higher ranking as, and otherwise be on terms comparable or better than, such unsecured indebtedness or guarantee provided by such subsidiary of such other unsecured indebtedness.

We may elect, in our sole discretion, to cause any subsidiary that is not otherwise required to be a guarantor to become a guarantor. The guarantee will be limited as necessary to prevent such guarantee from constituting a fraudulent conveyance under applicable law.

A guarantor will be released from its obligations under its guarantee of the 6.20% 2026 Notes upon the release or discharge of any other indebtedness or guarantee in respect of other indebtedness that resulted in the issuance of the guarantee of the 6.20% 2026 Notes.

Offer to Repurchase Upon a Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, unless we have exercised our option to redeem the 6.20% 2026 Notes as described under "—Optional Redemption of the 6.20% 2026 Notes," each holder of 6.20% 2026 Notes will have the right to require that we repurchase all or any part (in a minimum principal amount of $25 and integral multiples of $25 in excess thereof) of that holder's 6.20% 2026 Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of 6.20% 2026 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date of repurchase, pursuant to the offer described below. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control Repurchase Event, but after the public announcement of the Change of Control Repurchase Event, we will give notice to each holder with copies to the trustee and the paying agent (if other than the trustee) describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase 6.20% 2026 Notes on the payment date specified in the notice, which will be no earlier than 30 days and no later than 60 days from the date such notice is given. The notice shall, if given prior to the date of consummation of the Change of Control Repurchase Event, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice.

Notwithstanding the foregoing, interest due on an interest payment date falling on or prior to a repurchase date will be payable to holders at the close of business on the record date for such interest payment date.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 6.20% 2026 Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the 6.20% 2026 Notes, we will comply with the applicable securities laws and regulations

and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the indenture by virtue of such conflict.

On the Change of Control Repurchase Event payment date, we will, to the extent lawful:

- accept for payment all 6.20% 2026 Notes or portions of 6.20% 2026 Notes properly tendered pursuant to our offer;
- deposit with the paying agent an amount equal to the aggregate repurchase price in respect of all 6.20% 2026 Notes or portions of 6.20% 2026 Notes properly tendered; and
- deliver or cause to be delivered to the trustee the 6.20% 2026 Notes properly accepted, together with an officers' certificate stating the aggregate principal amount of 6.20% 2026 Notes being repurchased by us and requesting that such 6.20% 2026 Notes be cancelled.

The paying agent will promptly send to each holder of 6.20% 2026 Notes properly tendered the purchase price for the 6.20% 2026 Notes, and the trustee will promptly authenticate and send (or cause to be transferred by book entry) to each holder a new 6.20% 2026 Note equal in principal amount to any unrepurchased portion of any 6.20% 2026 Notes surrendered; provided that each new 6.20% 2026 Note will be in a minimum principal amount of $25 and integral multiples of $25 in excess thereof.

We will not be required to make an offer to repurchase the 6.20% 2026 Notes upon a Change of Control Repurchase Event if: (1) we or our successor delivered a notice to redeem the 6.20% 2026 Notes in the manner, at the times and otherwise in compliance with the optional redemption provision described above prior to the occurrence of the Change of Control Repurchase Event; or (2) a third party makes an offer in respect of the 6.20% 2026 Notes in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all 6.20% 2026 Notes properly tendered and not withdrawn under its offer.

There can be no assurance that sufficient funds will be available at the time of any Change of Control Repurchase Event to make required repurchases of 6.20% 2026 Notes tendered. Our failure to repurchase the 6.20% 2026 Notes upon a Change of Control Repurchase Event would result in an Event of Default under the indenture.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not amalgamate or consolidate with, merge with or into, or convey, transfer or lease our properties and assets substantially as an entirety to another person, unless: (1) we are the surviving person or the resulting, surviving or transferee person (if not us) is a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such person (if not us) shall expressly assume, by supplemental indenture, executed and delivered to the trustee, in form satisfactory to the trustee, all of our obligations under the 6.20% 2026 Notes and the indenture; and (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing under the indenture with respect to the 6.20% 2026 Notes. Upon any such amalgamation, consolidation, merger, conveyance, transfer or lease, the resulting, surviving or transferee person (if not us) shall succeed to, and may exercise every right and power of ours under the indenture, and we shall be released and discharged from our obligations under the 6.20% 2026 Notes and the indenture except in the case of any such lease.

Reports

The indenture requires us to file with the trustee, within 15 days after we file the same with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, and to otherwise comply with Section 314(a) of the Trust Indenture Act. Any such report, information or document that we file with the SEC through the EDGAR system (or any successor thereto) will be deemed to be delivered to the trustee for the purposes of this covenant at the time of such filing through the EDGAR system (or such successor thereto), provided, however, that the trustee shall have no obligation whatsoever to determine whether or not such filing has occurred.

Delivery of any such reports, information and documents to the trustee shall be for informational purposes only, and the trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants hereunder.

Events of Default

The following are "Events of Default" under the indenture with respect to the 6.20% 2026 Notes:

- default in the payment of any principal of or premium, if any, on or redemption price with respect to the 6.20% 2026 Notes when due;

- default in the payment of any interest on the 6.20% 2026 Notes when due and payable, which continues for 30 days;
- our failure to comply with our obligations under the covenant described above under "—Consolidation, Merger and Sale of Assets";
- default in tendering payment for the 6.20% 2026 Notes upon a Change of Control Repurchase Event, when such payment remains unpaid 60 days after issuance of the requisite notice;
- default in the performance of any other obligation of the Company contained in the indenture or the 6.20% 2026 Notes (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically provided for), which continues for 90 days after written notice from the trustee or the holders of more than 25% of the aggregate outstanding principal amount of the 6.20% 2026 Notes;
- an event of default, as defined in any bond, 6.20% 2026 Note, debenture or other evidence of debt of us or any Significant Subsidiary in excess of $35,000,000 singly or in aggregate principal amount of such issues of such persons, whether such debt exists now or is subsequently created, which becomes accelerated so as to be due and payable prior to the date on which the same would otherwise become due and payable and such acceleration(s) shall not have been annulled or rescinded within 30 days of such acceleration or the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default; provided, however, that if such event of default, acceleration(s) or payment default(s) are contested by us, a final and non-appealable judgment or order confirming the existence of the default(s) and/or the lawfulness of the acceleration(s), as the case may be, shall have been entered;
- any final and non-appealable judgment or order for the payment of money in excess of $35,000,000 (excluding any amounts covered by insurance) singly or in the aggregate for all such final judgments or orders against all such persons (1) shall be rendered against us or any Significant Subsidiary and shall not be paid or discharged and (2) there shall be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed $35,000,000 during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; and
- specified events in bankruptcy, insolvency or reorganization of us or any Significant Subsidiary, or, each, a Bankruptcy Event.

Remedies if an Event of Default Occurs

If an Event of Default with respect to the outstanding 6.20% 2026 Notes occurs and is continuing (other than an Event of Default involving a Bankruptcy Event), the trustee or the holders of not less than 25% in aggregate principal amount of the 6.20% 2026 Notes may declare the principal thereof, premium, if any, and accrued and unpaid interest, if any, thereon to be due and payable immediately. If an Event of Default involving a Bankruptcy Event shall occur, the principal of, and accrued and unpaid interest, if any, on, all outstanding 6.20% 2026 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of outstanding 6.20% 2026 Notes.

At any time after the trustee or the holders of the 6.20% 2026 Notes have accelerated the repayment of the principal, premium, if any, and accrued and unpaid interest, if any, on the outstanding 6.20% 2026 Notes, but before the trustee has obtained a judgment or decree for payment of money due, the holders of a majority in aggregate principal amount of outstanding 6.20% 2026 Notes may rescind and annul that acceleration and its consequences, provided that all payments due, other than those due as a result of acceleration, have been made and all Events of Default have been remedied or waived.

The holders of a majority in principal amount of the outstanding 6.20% 2026 Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the 6.20% 2026 Notes, provided that (1) such direction is not in conflict with any rule of law or the indenture, (2) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (3) the trustee need not take any action that might involve it in personal liability or be unduly prejudicial to the holders not joining therein. Before proceeding to exercise any right or power under the indenture at the direction of the holders, the trustee is entitled to receive from those holders security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which it might incur in complying with any direction.

A holder of the 6.20% 2026 Notes has the right to institute a proceeding with respect to the indenture or for any remedy under the indenture, if:

- that holder or holders of not less than 25% in aggregate principal amount of the outstanding 6.20% 2026 Notes have given to the trustee written notice of a continuing Event of Default with respect to the 6.20% 2026 Notes;
- such holder or holders have offered the trustee indemnification or security reasonably satisfactory to the trustee against the costs, expenses and liabilities incurred in connection with such request;
- the trustee has not received from the holders of a majority in principal amount of the outstanding 6.20% 2026 Notes a written direction inconsistent with the request within 60 days; and
- the trustee fails to institute the proceeding within 60 days.

However, the holder of a 6.20% 2026 Note has the right, which is absolute and unconditional, to receive payment of the principal of and interest on such 6.20% 2026 Note on the respective due dates (or, in the case of redemption or repurchase, on the redemption or repurchase date) and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such holder.

Modification and Amendment

Subject to certain exceptions, we and the trustee may amend the indenture or the 6.20% 2026 Notes, and compliance with any provisions of the indenture may be waived, with the consent of the holders of a majority in aggregate principal amount of the 6.20% 2026 Notes then outstanding (including, in each case, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, 6.20% 2026 Notes). However, without the consent of each holder of a then outstanding 6.20% 2026 Note, no amendment may, among other things:

- reduce the percentage in aggregate principal amount of 6.20% 2026 Notes outstanding necessary to waive any past Default or Event of Default;
- reduce the rate of interest on any 6.20% 2026 Note or change the time for payment of interest on any 6.20% 2026 Note;
- reduce the principal of any 6.20% 2026 Note or the amount payable upon redemption of any 2026 Note or change the maturity date of any 6.20% 2026 Note;
- change the place or currency of payment on any 6.20% 2026 Note;
- reduce the Change of Control Repurchase Event repurchase price of any 6.20% 2026 Note or amend or modify in any manner adverse to the rights of the holders of the 6.20% 2026 Notes our obligation to pay the Change of Control Repurchase Event repurchase price, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- impair the right of any holder to receive payment of principal of and interest, if any, on, its 6.20% 2026 Notes, or to institute suit for the enforcement of any such payment with respect to such holder's 6.20% 2026 Notes;
- modify the ranking of the 6.20% 2026 Notes in a manner that is adverse to the rights of the holders of the 6.20% 2026 Notes; or
- make any change in the provisions described in this "Modification and Amendment" section that requires each holder's consent or in the waiver provisions of the indenture if such change is adverse to the rights of the holders of the 6.20% 2026 Notes.

Without the consent of any holder of the 6.20% 2026 Notes, we and the trustee may amend the indenture or the 6.20% 2026 Notes:

- to conform the terms of the indenture or the 6.20% 2026 Notes to the description thereof in the applicable prospectus supplement, the accompanying prospectus or any terms sheet relating to the 6.20% 2026 Notes;
- to evidence the succession by a successor corporation and to provide for the assumption by a successor corporation of our obligations under the indenture;
- to add guarantees with respect to the 6.20% 2026 Notes and to remove guarantees in accordance with the terms of the indenture and the 6.20% 2026 Notes;

- to secure the 6.20% 2026 Notes;
- to add to our covenants such further covenants, restrictions or conditions for the benefit of the holders or to surrender any right or power conferred upon us under the indenture or the 6.20% 2026 Notes;
- to cure any ambiguity, omission, defect or inconsistency in the indenture or the 6.20% 2026 Notes, including to eliminate any conflict with the provisions of the Trust Indenture Act, so long as such action will not materially adversely affect the interests of holders of the 6.20% 2026 Notes;
- to make any change that does not adversely affect the rights of any holder of the 6.20% 2026 Notes;
- to provide for a successor trustee;
- to comply with the applicable procedures of the depositary; or
- to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act.

Holders do not need to approve the particular form of any proposed amendment. It will be sufficient if such holders approve the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Satisfaction and Discharge

We may satisfy and discharge our obligations under the indenture (1) by delivering to the trustee for cancellation all outstanding 6.20% 2026 Notes or (2) by irrevocably depositing with the trustee, after the 6.20% 2026 Notes have become due and payable by giving of a notice of redemption, upon stated maturity or otherwise, or if the 6.20% 2026 Notes are due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the trustee for giving the notice of redemption, cash in U.S. dollars in such amount as will be sufficient, Government Obligations (as defined below under "—Defeasance and Covenant Defeasance") the scheduled payments of principal of and interest on which will be sufficient (without any reinvestment of such interest), or a combination thereof in such amounts as will be sufficient, to pay principal of, premium, if any, and interest on the 6.20% 2026 Notes to their stated maturity date or any earlier redemption or maturity date and, in either case, paying all other sums payable under the indenture by us. Such satisfaction and discharge is subject to terms contained in the indenture and certain provisions of the indenture will survive such satisfaction and discharge.

Defeasance and Covenant Defeasance

The indenture also provides that we may elect either:

- to defease and be discharged from any and all obligations with respect to the 6.20% 2026 Notes other than the obligations to register the transfer or exchange of the 6.20% 2026 Notes, to replace temporary or mutilated, destroyed, lost or stolen 6.20% 2026 Notes, to maintain an office or agency in respect of the 6.20% 2026 Notes and to hold moneys for payment in trust ("defeasance"); or
- to be released from our obligations under the covenants described above under "—Certain Covenants," "—Reports" and "—Consolidation, Merger and Sale of Assets" and certain other covenants in the indenture, and any omission to comply with these obligations shall not constitute an Event of Default with respect to such 6.20% 2026 Notes ("covenant defeasance");

in either case upon the irrevocable deposit by us with the trustee, cash in U.S. dollars in such amount as will be sufficient, Government Obligations the scheduled payments of principal of and interest on which will be sufficient (without any reinvestment of such interest), or a combination thereof in such amounts as will be sufficient, as confirmed, certified or attested by an Independent Financial Advisor in writing to the trustee, to pay the principal of, premium, if any, and interest on the 6.20% 2026 Notes to their stated maturity date or any earlier redemption date.

In connection with any defeasance or covenant defeasance, we will be required to deliver to the trustee an opinion of counsel, as specified in the indenture, to the effect that the holders of the 6.20% 2026 Notes will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred, and

the opinion of counsel, in the case of defeasance, will be required to refer to and be based upon a ruling of the Internal Revenue Service, or IRS, or a change in applicable United States federal income tax law occurring after the date of the indenture.

"Government Obligations" means securities that are:

(1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged; or

(2) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America;

which, in either case, are not callable or redeemable at the option of the issuer thereof, and will also include a depositary receipt issued by a bank or trust company as custodian with respect to any Government Obligation or a specific payment of interest on or principal of any Government Obligation held by the custodian for the account of the holder of a depositary receipt; provided that, except as required by law, the custodian is not authorized to make any deduction from the amount payable to the holder of the depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by the depositary receipt.

"Independent Financial Advisor" means any accounting firm, investment advisory firm, valuation firm, consulting firm, appraisal firm, investment bank, bank, trust company or similar entity of recognized standing selected by us from time to time.

The Registrar and Paying Agent

We have initially designated the trustee as the registrar and paying agent for the 6.20% 2026 Notes. Payments of interest and principal will be made, and the 6.20% 2026 Notes will be transferable, at the office of the paying agent, or at such other place or places as may be designated pursuant to the indenture. For 6.20% 2026 Notes issued in book-entry only form evidenced by a global 6.20% 2026 Note, payments will be made to a nominee of the depository.

No Personal Liability

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the 6.20% 2026 Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of ours in the indenture, or in any of the 6.20% 2026 Notes or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or the Manager or of any successor person thereto. Each holder, by accepting the 6.20% 2026 Notes, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the 6.20% 2026 Notes.

Governing Law

The indenture and the 6.20% 2026 Notes are governed by the laws of the State of New York.

Book Entry, Delivery and Form

We have obtained the information in this section concerning DTC and its book-entry system and procedures from sources that we believe to be reliable. We take no responsibility for the accuracy or completeness of this information. In addition, the description of the clearing system in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

The 6.20% 2026 Notes are represented by one or more fully registered global notes. Each global note representing the 6.20% 2026 Notes will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co. (DTC's nominee).

So long as DTC or its nominee is the registered owner of the global 6.20% 2026 Notes representing the 6.20% 2026 Notes, DTC or such nominee will be considered the sole owner and holder of the 6.20% 2026 Notes for all purposes of the 6.20% 2026 Notes and the indenture. Except as provided below, owners of beneficial interests in the 6.20% 2026 Notes are not be entitled to have the 6.20% 2026 Notes registered in their names, will not receive or be entitled to receive physical delivery of the 6.20% 2026 Notes in certificated form and will not be considered the owners or holders under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a 6.20% 2026 Note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder.

Unless and until we issue the 6.20% 2026 Notes in fully certificated, registered form under the limited circumstances described under the heading "Certificated 6.20% 2026 Notes:"

- you will not be entitled to receive a certificate representing your interest in the 6.20% 2026 Notes;
- all references herein to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references herein to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the holder of the 6.20% 2026 Notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

- DTC acts as securities depositary for the 6.20% 2026 Notes. The new 6.20% 2026 Notes will be issued as fully registered 6.20% 2026 Notes registered in the name of Cede & Co. DTC is:
- a limited purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants. Indirect participants of DTC, such as securities brokers and dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

Purchases of 6.20% 2026 Notes under DTC's system must be made by or through direct participants, which will receive a credit for the 6.20% 2026 Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the 6.20% 2026 Notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the 6.20% 2026 Notes, except as provided under "— Certificated 6.20% 2026 Notes."

To facilitate subsequent transfers, all 6.20% 2026 Notes deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of 6.20% 2026 Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the 6.20% 2026 Notes. DTC's records reflect only the identity of the direct participants to whose accounts such 6.20% 2026 Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Only Form

Under the book-entry only form, the paying agent will make all required payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to you as the beneficial owner. You may experience some delay in receiving your payments under this system. Neither we, the trustee, nor any paying agent has any direct responsibility or liability for making any payment to owners of beneficial interests in the 6.20% 2026 Notes.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the 6.20% 2026 Notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to the 6.20% 2026 Notes on your behalf. We and the trustee under the indenture have no responsibility for any aspect of the actions of DTC or any of its direct or indirect participants. In addition, we and the trustee under the indenture have no responsibility or liability for any aspect of the records kept by DTC or any of its direct or indirect participants relating to or payments made on account of beneficial ownership interests in the 6.20% 2026 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We also do not supervise these systems in any way.

The trustee will not recognize you as a holder under the indenture, and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a 6.20% 2026 Note if one or more of the direct participants to whom the 6.20% 2026 Note is credited directs DTC to take such action and only in respect of the portion of the aggregate principal amount of the 6.20% 2026 Notes as to which that participant or participants has or have given that direction. DTC can only act on behalf of its direct participants. Your ability to pledge 6.20% 2026 Notes to non-direct participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your 6.20% 2026 Notes.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 6.20% 2026 Notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the 6.20% 2026 Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

If less than all of the 6.20% 2026 Notes are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each participant in such 6.20% 2026 Notes to be redeemed.

A beneficial owner of 6.20% 2026 Notes shall give notice to elect to have its 6.20% 2026 Notes repurchased or tendered, through its participant, to the trustee and shall effect delivery of such 6.20% 2026 Notes by causing the direct participant to transfer the participant's interest in such 6.20% 2026 Notes, on DTC's records, to the trustee. The requirement for physical delivery of 6.20% 2026 Notes in connection with a repurchase or tender will be deemed satisfied when the ownership rights in such 6.20% 2026 Notes are transferred by direct participants on DTC's records and followed by a book-entry credit of such 6.20% 2026 Notes to the trustee's DTC account.

Certificated 6.20% 2026 Notes

Unless and until they are exchanged, in whole or in part, for 6.20% 2026 Notes in certificated registered form, or certificated 6.20% 2026 Notes, in accordance with the terms of the 6.20% 2026 Notes, global 6.20% 2026 Notes representing the 6.20% 2026 Notes may not be transferred except (1) as a whole by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor.

We will issue certificated 6.20% 2026 Notes in exchange for global 6.20% 2026 Notes representing the 6.20% 2026 Notes, only if:

- DTC notifies us in writing that it is unwilling or unable to continue as depositary for the global 6.20% 2026 Notes or ceases to be a clearing agency registered under the under the Exchange Act, and we are unable to locate a qualified successor within 90 days of receiving such notice or becoming aware that DTC has ceased to be so registered, as the case may be;
- an Event of Default has occurred and is continuing under the indenture and a request for such exchange has been made; or
- we, at our option, elect to exchange all or part of a global 6.20% 2026 Note for certificated 6.20% 2026 Notes.

If any of the three above events occurs, DTC is required to notify all direct participants that certificated 6.20% 2026 Notes are available through DTC. DTC will then surrender the global 6.20% 2026 Notes representing the 6.20% 2026 Notes along with instructions for re-registration. The trustee will re-issue the 6.20% 2026 Notes in fully certificated registered form and will recognize the holders of the certificated 6.20% 2026 Notes as holders under the indenture.

Unless and until we issue certificated 6.20% 2026 Notes, (1) you will not be entitled to receive a certificate representing your interest in the 6.20% 2026 Notes, (2) all references herein to actions by holders will refer to actions taken by the depositary upon instructions from their direct participants and (3) all references herein to payments and notices to holders will refer to payments and notices to the depositary, as the holder of the 6.20% 2026 Notes, for distribution to you in accordance with its policies and procedures.

THE 5.76% 2026 NOTES

General

The 5.75% 2026 Notes are a single series under the indenture, initially in the aggregate principal amount of $201,250,000 million. The 5.75% 2026 Notes were issued only in fully registered form without coupons, in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof. The 5.75% 2026 Notes are evidenced by one or more global 5.75% 2026 Notes in book-entry form, except under the limited circumstances described under "—Certificated 5.75% 2026 Notes."

The 5.75% 2026 Notes will not be convertible into, or exchangeable for, shares of our common stock or any other securities.

Ranking

The 5.75% 2026 Notes:

- are our senior unsecured obligations;
- are not guaranteed by any of our subsidiaries, except to the extent described herein under "—Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries";
- rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness;
- are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of our assets securing such indebtedness; and
- are structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) and preferred stock of our subsidiaries.

Unless our subsidiaries are required to guarantee the 5.75% 2026 Notes as described herein under "—Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries," our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the 5.75% 2026 Notes or to make any funds available to us for payment on the 5.75% 2026 Notes, whether by dividends, loans or other payments, except that we contributed the net proceeds from the offering to our Operating Partnership in exchange for the issuance by the Operating Partnership of a senior unsecured note (or the 5.75% 2026 Mirror Note) with terms that are substantially equivalent to the terms of the 5.75% 2026 Notes. As a result, the Operating Partnership will be obligated to pay us amounts due and payable under the 5.75% 2026 Notes Mirror Note, which will rank equal in right of payment with all of the future unsecured and unsubordinated indebtedness of the Operating Partnership. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or other restrictions, may depend on their earnings, cash flows and financial condition and are subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

Additional Notes

The series of debt securities of which the 5.75% 2026 Notes are a part may be reopened and we may, from time to time, issue additional debt securities of the same series ranking equally and ratably with the 5.75% 2026 Notes and with terms identical to the 5.75% 2026 Notes except with respect to issue date, issue price and, if applicable, the date from which interest will accrue, without notice to, or the consent of, any of the holders of the 5.75% 2026 Notes, provided that if any such additional debt securities are not fungible with the 5.75% 2026 Notes for U.S. federal income tax purposes, such additional debt securities will have separate CUSIP and ISIN numbers from the 5.75% 2026 Notes. The additional debt securities will carry the same right to receive accrued and unpaid interest on the 5.75% 2026 Notes, and such additional debt securities will form a single series of debt securities with the 5.75% 2026 Notes.

Interest

The 5.75% 2026 Notes bear interest at a rate of 5.75% per year from, and including, February 10, 2021. The subsequent interest periods will be the periods from, and including, an interest payment date to, but excluding, the next interest payment date or the stated maturity date or earlier redemption or repurchase date, as the case may be. Interest is payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing April 30, 2021, to the persons in whose names the 5.75% 2026 Notes are registered at the close of business on January 15, April 15, July 15 or October 15 as the case may be, immediately before the relevant interest payment date. All payments are made in U.S. dollars.

Interest payments will be made only on a Business Day. If any interest payment is due on a non-Business Day, we will make the payment on the next day that is a Business Day. Payments made on the next Business Day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a Default under the 5.75% 2026 Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a Business Day.

Interest on the 5.75% 2026 Notes is computed on the basis of a 360-day year consisting of twelve 30 day months.

Maturity

The 5.75% 2026 Notes will mature on February 15, 2026 and will be paid against presentation and surrender thereof at the corporate trust office of the trustee, unless earlier redeemed by us at our option as described herein under "—Optional Redemption of the Notes" or repurchased by us as described herein under "—Certain Covenants—Offer to Repurchase Upon a Change of Control Repurchase Event." The 5.75% 2026 Notes are not entitled to the benefits of, or be subject to, any sinking fund.

Optional Redemption of the 5.75% 2026 Notes

We may not redeem the 5.75% 2026 Notes prior to February 15, 2023. On or after, February 15, 2023, we may redeem for cash all or any portion of the 5.75% 2026 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 5.75% 2026Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Notwithstanding the foregoing, interest due on an interest payment date falling on or prior to a redemption date will be payable to holders at the close of business on the record date for such interest payment date.

We are required to give notice of such redemption not less than 30 days nor more than 60 days prior to the redemption date to each holder at its address appearing in the securities register maintained by the trustee. In the event we elect to redeem less than all of the 5.75% 2026 Notes, the particular 5.75% 2026 Notes to be redeemed will be selected by the trustee by such method as the trustee shall deem fair and appropriate.

Certain Covenants

In addition to certain covenants contained in the indenture, including, among others, the covenants described under "—Reports" and "—Consolidation, Merger and Sale of Assets" below, the indenture contains the following covenants.

Limitation on Liens to Secure Payment of Ready Capital Corporation Borrowings

We will not, and will not permit any of our subsidiaries to, directly or indirectly, create, incur or suffer to exist any lien that secures obligations under any indebtedness of Ready Capital Corporation (other than guarantees of indebtedness of its subsidiaries) on any of our or our subsidiaries' assets or property, unless the 5.75% 2026 Notes are equally and ratably secured with the obligations secured by such other lien.

Any lien created for the benefit of the holders pursuant to the preceding paragraph may provide by its terms that such lien shall be automatically and unconditionally released and discharged upon the release and discharge of the lien that gave rise to the obligation to so secure the 5.75% 2026 Notes.

Limitation on Unsecured Borrowings or Guarantees of Unsecured Borrowings by Subsidiaries

We will not permit any of our subsidiaries to incur any unsecured indebtedness or guarantee the payment of, assume or in any other manner become liable with respect to any unsecured indebtedness of Ready Capital Corporation or of any of our subsidiaries (other than (1) a mirror note issued by our Operating Partnership to Ready Capital Corporation in connection with the incurrence by Ready Capital Corporation of an unsecured borrowing, (2) other debt issued by our Operating Partnership that ranks equal in right of payment with the mirror note issued Ready Capital Corporation in connection with the offering of the 5.75% 2026 Notes, (3) other indebtedness in an aggregate outstanding principal amount which when taken together with the principal amount of all other indebtedness incurred, guaranteed, assumed or for which a subsidiary has become liable for pursuant to this clause (3) and then outstanding will not exceed the greater of (a) $25 million and (b) 5% of our total stockholders' equity or (4) intercompany loans or other indebtedness where the borrower and lender are both our subsidiaries, provided that if a future subsidiary guarantor of the 5.75% 2026 Notes is the obligor on any such intercompany indebtedness which is owed to a subsidiary which is not a guarantor of the 5.75% 2026 Notes, the intercompany indebtedness will be expressly subordinated in right of payment to the 5.75% 2026 Note guarantee), unless prior to incurring, guaranteeing, assuming or becoming liable with respect to such indebtedness, such subsidiary executes and delivers a supplemental indenture providing for a guarantee of the obligations under 5.75% 2026 Notes and the indenture in the same or higher ranking as, and otherwise be on terms comparable or better than, such unsecured indebtedness or guarantee provided by such subsidiary of such other unsecured indebtedness.

We may elect, in our sole discretion, to cause any subsidiary that is not otherwise required to be a guarantor to become a guarantor. The guarantee will be limited as necessary to prevent such guarantee from constituting a fraudulent conveyance under applicable law.

A guarantor will be released from its obligations under its guarantee of the 5.75% 2026 Notes upon the release or discharge of any other indebtedness or guarantee in respect of other indebtedness that resulted in the issuance of the guarantee of the 5.75% 2026 Notes.

Offer to Repurchase Upon a Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, unless we have exercised our option to redeem the 5.75% 2026 Notes as described under "—Optional Redemption of the 5.75% 2026 Notes," each holder of 5.75% 2026 Notes will have the right to require that we repurchase all or any part (in a minimum principal amount of $25 and integral multiples of $25 in excess thereof) of that holder's 5.75% 2026 Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of 5.75% 2026 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date of repurchase, pursuant to the offer described below. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control Repurchase Event, but after the public announcement of the Change of Control Repurchase Event, we will give notice to each holder with copies to the trustee and the paying agent (if other than the trustee) describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase 5.75% 2026 Notes on the payment date specified in the notice, which will be no earlier than 30 days and no later than 60 days from the date such notice is given. The notice shall, if given prior to the date of consummation of the Change of Control Repurchase Event, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice.

Notwithstanding the foregoing, interest due on an interest payment date falling on or prior to a repurchase date will be payable to holders at the close of business on the record date for such interest payment date.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 5.75% 2026 Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the 5.75% 2026 Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the indenture by virtue of such conflict.

On the Change of Control Repurchase Event payment date, we will, to the extent lawful:

- accept for payment all 5.75% 2026 Notes or portions of 5.75% 2026 Notes properly tendered pursuant to our offer;
- deposit with the paying agent an amount equal to the aggregate repurchase price in respect of all 5.75% 2026 Notes or portions of 5.75% 2026 Notes properly tendered; and
- deliver or cause to be delivered to the trustee the 5.75% 2026 Notes properly accepted, together with an officers' certificate stating the aggregate principal amount of 5.75% 2026 Notes being repurchased by us and requesting that such 5.75% 2026 Notes be cancelled.

The paying agent will promptly send to each holder of 5.75% % 2026 Notes properly tendered the purchase price for the 5.75% 2026 Notes, and the trustee will promptly authenticate and send (or cause to be transferred by book entry) to each holder a new 5.75% 2026 Note equal in principal amount to any unrepurchased portion of any 5.75% 2026 Notes surrendered; provided that each new 5.75% 2026 Note will be in a minimum principal amount of $25 and integral multiples of $25 in excess thereof.

We will not be required to make an offer to repurchase the 5.75% 2026 Notes upon a Change of Control Repurchase Event if: (1) we or our successor delivered a notice to redeem the 5.75% 2026 Notes in the manner, at the times and otherwise in compliance with the optional redemption provision described above prior to the occurrence of the Change of Control Repurchase Event; or (2) a third party makes an offer in respect of the 5.75% 2026 Notes in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all 5.75% 2026 Notes properly tendered and not withdrawn under its offer.

There can be no assurance that sufficient funds will be available at the time of any Change of Control Repurchase Event to make required repurchases of 5.75% 2026 Notes tendered. Our failure to repurchase the 5.75% 2026 Notes upon a Change of Control Repurchase Event would result in an Event of Default under the indenture.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not amalgamate or consolidate with, merge with or into, or convey, transfer or lease our properties and assets substantially as an entirety to another person, unless: (1) we are the surviving person or the resulting, surviving or transferee person (if not us) is a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such person (if not us) shall expressly assume, by supplemental indenture, executed and delivered to the trustee, in form satisfactory to the trustee, all of our obligations under the 5.75% 2026 Notes and the indenture; and (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing under the indenture with respect to the 5.75% 2026 Notes. Upon any such amalgamation, consolidation, merger, conveyance, transfer or lease, the resulting, surviving or transferee person (if not us) shall succeed to, and may exercise every right and power of ours under the indenture, and we shall be released and discharged from our obligations under the 5.75% 2026 Notes and the indenture except in the case of any such lease.

Reports

The indenture requires us to file with the trustee, within 15 days after we file the same with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, and to otherwise comply with Section 314(a) of the Trust Indenture Act. Any such report, information or document that we file with the SEC through the EDGAR system (or any successor thereto) will be deemed to be delivered to the trustee for the purposes of this covenant at the time of such filing through the EDGAR system (or such successor thereto), provided, however, that the trustee shall have no obligation whatsoever to determine whether or not such filing has occurred.

Delivery of any such reports, information and documents to the trustee shall be for informational purposes only, and the trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants hereunder.

Events of Default

The following are "Events of Default" under the indenture with respect to the 5.75% 2026 Notes:

- default in the payment of any principal of or premium, if any, on or redemption price with respect to the 5.75% 2026 Notes when due;
- default in the payment of any interest on the 5.75% 2026 Notes when due and payable, which continues for 30 days;
- our failure to comply with our obligations under the covenant described above under "—Consolidation, Merger and Sale of Assets";
- default in tendering payment for the 5.75% 2026 Notes upon a Change of Control Repurchase Event, when such payment remains unpaid 60 days after issuance of the requisite notice;
- default in the performance of any other obligation of the Company contained in the indenture or the 5.75% 2026 Notes (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically provided for), which continues for 90 days after written notice from the trustee or the holders of more than 25% of the aggregate outstanding principal amount of the 5.75% 2026 Notes;
- an event of default, as defined in any bond, 5.75% 2026 Note, debenture or other evidence of debt of us or any Significant Subsidiary in excess of $35,000,000 singly or in aggregate principal amount of such issues of such persons, whether such debt exists now or is subsequently created, which becomes accelerated so as to be due and payable prior to the date on which the same would otherwise become due and payable and such acceleration(s) shall not have been annulled or rescinded within 30 days of such acceleration or the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default; provided, however, that if such event of default, acceleration(s) or payment default(s) are contested by us, a final and non-appealable judgment or order confirming the existence of the default(s) and/or the lawfulness of the acceleration(s), as the case may be, shall have been entered;
- any final and non-appealable judgment or order for the payment of money in excess of $35,000,000 (excluding any amounts covered by insurance) singly or in the aggregate for all such final judgments or orders against all such persons (1) shall be rendered against us or any Significant Subsidiary and shall not be paid or discharged and (2) there shall be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed $35,000,000 during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; and
- specified events in bankruptcy, insolvency or reorganization of us or any Significant Subsidiary, or, each, a Bankruptcy Event.

Remedies if an Event of Default Occurs

If an Event of Default with respect to the outstanding 5.75% 2026 Notes occurs and is continuing (other than an Event of Default involving a Bankruptcy Event), the trustee or the holders of not less than 25% in aggregate principal amount of the 5.75% 2026 Notes may declare the principal thereof, premium, if any, and accrued and unpaid interest, if any, thereon to be due and payable immediately. If an Event of Default involving a Bankruptcy Event shall occur, the principal of, and accrued and unpaid interest, if any, on, all outstanding 5.75% 2026 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of outstanding 5.75% 2026 Notes.

At any time after the trustee or the holders of the 5.75% 2026 Notes have accelerated the repayment of the principal, premium, if any, and accrued and unpaid interest, if any, on the outstanding 5.75% 2026 Notes, but before the trustee has obtained a judgment or decree for payment of money due, the holders of a majority in aggregate principal amount of outstanding 5.75% 2026 Notes may rescind and annul that acceleration and its consequences, provided that all payments and/or deliveries due, other than those due as a result of acceleration, have been made and all Events of Default have been remedied or waived.

The holders of a majority in principal amount of the outstanding 5.75% 2026 Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the 5.75% 2026 Notes, provided that (1) such direction is not in conflict with any rule of law or the indenture, (2) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (3) the trustee need not take any action that might involve it in personal liability or be unduly prejudicial to the holders not joining therein. Before proceeding to exercise any right or power under the indenture at the direction of the holders, the trustee is entitled to receive from those holders security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which it might incur in complying with any direction.

A holder of the 5.75% 2026 Notes has the right to institute a proceeding with respect to the indenture or for any remedy under the indenture, if:

- that holder or holders of not less than 25% in aggregate principal amount of the outstanding 5.75% 2026 Notes have given to the trustee written notice of a continuing Event of Default with respect to the 5.75% 2026 Notes;
- such holder or holders have offered the trustee indemnification or security reasonably satisfactory to the trustee against the costs, expenses and liabilities incurred in connection with such request;
- the trustee has not received from the holders of a majority in principal amount of the outstanding 5.75% 2026 Notes a written direction inconsistent with the request within 60 days; and
- the trustee fails to institute the proceeding within 60 days.

However, the holder of a 5.75% 2026 Note has the right, which is absolute and unconditional, to receive payment of the principal of and interest on such 5.75% 2026 Note on the respective due dates (or, in the case of redemption or repurchase, on the redemption or repurchase date) and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such holder.

Modification and Amendment

Subject to certain exceptions, we and the trustee may amend the indenture or the 5.75% 2026 Notes, and compliance with any provisions of the indenture may be waived, with the consent of the holders of a majority in aggregate principal amount of the 5.75% 2026 Notes then outstanding (including, in each case, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, 5.75% 2026 Notes). However, without the consent of each holder of a then outstanding 2026 Note, no amendment may, among other things:

- reduce the percentage in aggregate principal amount of 5.75% 2026 Notes outstanding necessary to waive any past Default or Event of Default;
- reduce the rate of interest on any 2026 Note or change the time for payment of interest on any 5.75% 2026 Note;
- reduce the principal of any 5.75% 2026 Note or the amount payable upon redemption of any 5.75% 2026 Note or change the maturity date of any 5.75% 2026 Note;
- change the place or currency of payment on any 5.75% 2026 Note;
- reduce the Change of Control Repurchase Event repurchase price of any 5.75% 2026 Note or amend or modify in any manner adverse to the rights of the holders of the 5.75% 2026 Notes our obligation to pay the Change of Control Repurchase Event repurchase price, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- impair the right of any holder to receive payment of principal of and interest, if any, on, its 5.75% 2026 Notes, or to institute suit for the enforcement of any such payment or delivery, as the case may be, with respect to such holder’s 5.75% 2026 Notes;

- modify the ranking of the 5.75% 2026 Notes in a manner that is adverse to the rights of the holders of the 5.75% 2026 Notes; or
- make any change in the provisions described in this "Modification and Amendment" section that requires each holder's consent or in the waiver provisions of the indenture if such change is adverse to the rights of the holders of the 5.75% 2026 Notes.

Without the consent of any holder of the 5.75% 2026 Notes, we and the trustee may amend the indenture or the 5.75% 2026 Notes:

- to conform the terms of the indenture or the 5.75% 2026 Notes to the description thereof in the applicable prospectus supplement, the accompanying prospectus or any terms sheet relating to the 5.75% 2026 Notes;
- to evidence the succession by a successor corporation and to provide for the assumption by a successor corporation of our obligations under the indenture;
- to add guarantees with respect to the 5.75% 2026 Notes and to remove guarantees in accordance with the terms of the indenture and the 5.75% 2026 Notes;
- to secure the 5.75% 2026 Notes;
- to add to our covenants such further covenants, restrictions or conditions for the benefit of the holders or to surrender any right or power conferred upon us under the indenture or the 5.75% 2026 Notes;
- to cure any ambiguity, omission, defect or inconsistency in the indenture or the 5.75% 2026 Notes, including to eliminate any conflict with the provisions of the Trust Indenture Act, so long as such action will not materially adversely affect the interests of holders of the 5.75% 2026 Notes;
- to make any change that does not adversely affect the rights of any holder of the 5.75% 2026 Notes;
- to provide for a successor trustee;
- to comply with the applicable procedures of the depositary; or
- to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act.

Holders do not need to approve the particular form of any proposed amendment. It will be sufficient if such holders approve the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Satisfaction and Discharge

We may satisfy and discharge our obligations under the indenture (1) by delivering to the trustee for cancellation all outstanding 5.75% 2026 Notes or (2) by irrevocably depositing with the trustee, after the 5.75% 2026 Notes have become due and payable by giving of a notice of redemption, upon stated maturity or otherwise, or if the 5.75% 2026 Notes are due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the trustee for giving the notice of redemption, cash in U.S. dollars in such amount as will be sufficient, Government Obligations (as defined below under "—Defeasance and Covenant Defeasance") the scheduled payments of principal of and interest on which will be sufficient (without any reinvestment of such interest), or a combination thereof in such amounts as will be sufficient, to pay principal of, premium, if any, and interest on the 5.75% 2026 Notes to their stated maturity date or any earlier redemption or maturity date and, in either case, paying all other sums payable under the indenture by us. Such satisfaction and discharge is subject to terms contained in the indenture and certain provisions of the indenture will survive such satisfaction and discharge.

Defeasance and Covenant Defeasance

The indenture also provides that we may elect either:

- to defease and be discharged from any and all obligations with respect to the 5.75% 2026 Notes other than the obligations to register the transfer or exchange of the 5.75% 2026 Notes, to replace temporary or mutilated, destroyed, lost or stolen 5.75% 2026 Notes, to maintain an office or agency in respect of the 5.75% 2026 Notes and to hold moneys for payment in trust ("defeasance"); or
- to be released from our obligations under the covenants described above under "—Certain Covenants," "—Reports" and "—Consolidation, Merger and Sale of Assets" and certain other covenants in the indenture, and any omission to comply with these obligations shall not constitute an Event of Default with respect to such 5.75% 2026 Notes ("covenant defeasance");

in either case upon the irrevocable deposit by us with the trustee, cash in U.S. dollars in such amount as will be sufficient, Government Obligations the scheduled payments of principal of and interest on which will be sufficient (without any reinvestment of such interest), or a combination thereof in such amounts as will be sufficient, as confirmed, certified or attested by an Independent Financial Advisor in writing to the trustee, to pay the principal of, premium, if any, and interest on the 5.75% 2026 Notes to their stated maturity date or any earlier redemption date.

In connection with any defeasance or covenant defeasance, we will be required to deliver to the trustee an opinion of counsel, as specified in the indenture, to the effect that the holders of the 5.75% 2026 Notes will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred, and the opinion of counsel, in the case of defeasance, will be required to refer to and be based upon a ruling of the Internal Revenue Service, or IRS, or a change in applicable United States federal income tax law occurring after the date of the indenture.

"Government Obligations" means securities that are:

(1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged; or

(2) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America;

which, in either case, are not callable or redeemable at the option of the issuer thereof, and will also include a depositary receipt issued by a bank or trust company as custodian with respect to any Government Obligation or a specific payment of interest on or principal of any Government Obligation held by the custodian for the account of the holder of a depositary receipt; provided that, except as required by law, the custodian is not authorized to make any deduction from the amount payable to the holder of the depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by the depositary receipt.

"Independent Financial Advisor" means any accounting firm, investment advisory firm, valuation firm, consulting firm, appraisal firm, investment bank, bank, trust company or similar entity of recognized standing selected by us from time to time.

The Registrar and Paying Agent

We have initially designated the trustee as the registrar and paying agent for the 5.75% 2026 Notes. Payments of interest and principal will be made, and the 5.75% 2026 Notes will be transferable, at the office of the paying agent, or at such other place or places as may be designated pursuant to the indenture. For 5.75% 2026 Notes issued in book-entry only form evidenced by a global 5.75% 2026 Note, payments will be made to a nominee of the depository.

No Personal Liability

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the 5.75% 2026 Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of ours in the indenture, or in any of the 5.75% 2026 Notes or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or the Manager or of any successor person thereto. Each holder, by accepting the 5.75% 2026 Notes, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the 5.75% 2026 Notes.

Governing Law

The indenture and the 5.75% 2026 Notes are governed by the laws of the State of New York.

Book Entry, Delivery and Form

We have obtained the information in this section concerning DTC and its book-entry system and procedures from sources that we believe to be reliable. We take no responsibility for the accuracy or completeness of this information. In addition, the description of the clearing system in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

The 5.75% 2026 Notes are represented by one or more fully registered global notes. Each global note representing the 5.75% 2026 Notes will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co. (DTC's nominee).

So long as DTC or its nominee is the registered owner of the global 5.75% 2026 Notes representing the 5.75% 2026 Notes, DTC or such nominee will be considered the sole owner and holder of the 5.75% 2026 Notes for all purposes of the 5.75% 2026 Notes and the indenture. Except as provided below, owners of beneficial interests in the 5.75% 2026 Notes are not be entitled to have the 5.75% 2026 Notes registered in their names, will not receive or be entitled to receive physical delivery of the 5.75% 2026 Notes in certificated form and will not be considered the owners or holders under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a 5.75% 2026 Note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder.

Unless and until we issue the 5.75% 2026 Notes in fully certificated, registered form under the limited circumstances described under the heading "Certificated 5.75% 2026 Notes:"

- you will not be entitled to receive a certificate representing your interest in the 5.75% 2026 Notes;
- all references herein to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references herein to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the holder of the 5.75% 2026 Notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

- DTC acts as securities depositary for the 5.75% 2026 Notes. The 5.75% 2026 Notes will be issued as fully registered 5.75% 2026 Notes registered in the name of Cede & Co. DTC is:
- a limited purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants. Indirect participants of DTC, such as securities brokers and dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

Purchases of 5.75% 2026 Notes under DTC's system must be made by or through direct participants, which will receive a credit for the 5.75% 2026 Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the 5.75% 2026 Notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the 5.75% 2026 Notes, except as provided under "— Certificated 5.75% 2026 Notes."

To facilitate subsequent transfers, all 5.75% 2026 Notes deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of 5.75% 2026 Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the 5.75% 2026 Notes. DTC's records reflect only the identity of the direct participants to whose accounts such 5.75% 2026 Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Only Form

Under the book-entry only form, the paying agent will make all required payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to you as the beneficial owner. You may experience some delay in receiving your payments under this system. Neither we, the trustee, nor any paying agent has any direct responsibility or liability for making any payment to owners of beneficial interests in the 5.75% 2026 Notes.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the 5.75% 2026 Notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to the 5.75% 2026 Notes on your behalf. We and the trustee under the indenture have no responsibility for any aspect of the actions of DTC or any of its direct or indirect participants. In addition, we and the trustee under the indenture have no responsibility or liability for any aspect of the records kept by DTC or any of its direct or indirect participants relating to or payments made on account of beneficial ownership interests in the 5.75% 2026 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We also do not supervise these systems in any way.

The trustee will not recognize you as a holder under the indenture, and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a 2026 Note if one or more of the direct participants to whom the 2026 Note is credited directs DTC to take such action and only in respect of the portion of the aggregate principal amount of the 5.75% 2026 Notes as to which that participant or participants has or have given that direction. DTC can only act on behalf of its direct participants. Your ability to pledge 5.75% 2026 Notes to non-direct participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your 5.75% 2026 Notes.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 5.75% 2026 Notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the 5.75% 2026 Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

If less than all of the 5.75% 2026 Notes are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each participant in such 5.75% 2026 Notes to be redeemed.

A beneficial owner of 5.75% 2026 Notes shall give notice to elect to have its 5.75% 2026 Notes repurchased or tendered, through its participant, to the trustee and shall effect delivery of such 5.75% 2026 Notes by causing the direct participant to transfer the participant's interest in such 5.75% 2026 Notes, on DTC's records, to the trustee. The requirement for physical delivery of 5.75% 2026 Notes in connection with a repurchase or tender will be deemed satisfied when the ownership rights in such 5.75% 2026 Notes are transferred by direct participants on DTC's records and followed by a book-entry credit of such 5.75% 2026 Notes to the trustee's DTC account.

Certificated 5.75% 2026 Notes

Unless and until they are exchanged, in whole or in part, for 5.75% 2026 Notes in certificated registered form, or certificated 5.75% 2026 Notes, in accordance with the terms of the 5.75% 2026 Notes, global 5.75% 2026 Notes representing the 5.75% 2026 Notes may not be transferred except (1) as a whole by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor.

We will issue certificated 5.75% 2026 Notes in exchange for global 5.75% 2026 Notes representing the 5.75% 2026 Notes, only if:

- DTC notifies us in writing that it is unwilling or unable to continue as depositary for the global 5.75% 2026 Notes or ceases to be a clearing agency registered under the under the Exchange Act, and we are unable to locate a qualified successor within 90 days of receiving such notice or becoming aware that DTC has ceased to be so registered, as the case may be;
- an Event of Default has occurred and is continuing under the indenture and a request for such exchange has been made; or
- we, at our option, elect to exchange all or part of a global 5.75% 2026 Note for certificated 5.75% 2026 Notes.

If any of the three above events occurs, DTC is required to notify all direct participants that certificated 5.75% 2026 Notes are available through DTC. DTC will then surrender the global 5.75% 2026 Notes representing the 5.75% 2026 Notes along with instructions for re-registration. The trustee will re-issue the 5.75% 2026 Notes in fully certificated registered form and will recognize the holders of the certificated 5.75% 2026 Notes as holders under the indenture.

Unless and until we issue certificated 5.75% 2026 Notes, (1) you will not be entitled to receive a certificate representing your interest in the 5.75% 2026 Notes, (2) all references herein to actions by holders will refer to actions taken by the depositary upon instructions from their direct participants and (3) all references herein to payments and notices to holders will refer to payments and notices to the depositary, as the holder of the 5.75% 2026 Notes, for distribution to you in accordance with its policies and procedures.

Exhibit 10.1

EXECUTION

SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

Dated as of June 26, 2017

Among:

WATERFALL COMMERCIAL DEPOSITOR LLC, as a Seller,

SUTHERLAND ASSET I, LLC, as a Seller

READYCAP COMMERCIAL, LLC, as a Seller

and

CITIBANK, N.A., as Buyer,

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SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT, dated as of June 26, 2017, among WATERFALL COMMERCIAL DEPOSITOR LLC, a Delaware limited liability company as a seller (the "Certificate Seller" or a "Seller"), SUTHERLAND ASSET I, LLC, a Delaware limited liability company as a seller (the "Sutherland Loan Seller" or a "Seller") and READYCAP COMMERCIAL, LLC (the "ReadyCap Loan Seller" or a "Seller", and together with the Certificate Seller and the Sutherland Loan Seller, the "Sellers") and CITIBANK, N.A., a national banking association as buyer ("Buyer").

1. APPLICABILITY

Buyer shall, with respect to the Committed Amount and may, with respect to the Uncommitted Amount, from time to time, upon the terms and conditions set forth herein, agree to enter into transactions in which (i) the Certificate Seller transfers to Buyer a Certificate representing the ownership in a Trust, the assets of which consist of Loans, or (ii) a Loan Seller transfers to Buyer Eligible Loans, in each case against the transfer of funds by Buyer in an amount equal to the Purchase Price, with a simultaneous agreement by Buyer to transfer to the Certificate Seller or such Loan Seller such Certificate or Loans, as applicable, at a date certain, which shall not be later than the earlier of 364 days from the related Purchase Date (as defined below) and the Termination Date, against the transfer of funds by the related Seller, in an amount equal to the Repurchase Price. The Purchase Price and Repurchase Price for each Transaction shall be determined using the Market Value of the related Loans owned by the Trust related to each Certificate or sold to Buyer by a Loan Seller, as applicable. Each such transaction shall be referred to herein as a "Transaction", and, unless otherwise agreed in writing, shall be governed by this Agreement.

2. DEFINITIONS AND ACCOUNTING MATTERS

(a) Defined Terms. As used herein, the following terms have the following meanings (all terms defined in this Section 2 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Accepted Servicing Practices" shall have the meaning provided in the Servicing Agreement.

"Additional Amounts" shall have the meaning provided in Section 5.

"Administrative Agency Agreement" shall mean the Administrative Agency Agreement dated as of January 31, 2012, by and between Depositor, Paying Agent, Owner Trustee and Trust's Agent, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Affiliate" shall mean, (a) with respect to Sellers, each of Guarantor and ReadyCap Holdings, LLC, (b) with respect to Guarantor, each Seller and ReadyCap Holdings, LLC and (c) with respect to Buyer, Citigroup Global Markets Realty Corp.

"Agreement" shall mean this Second Amended and Restated Master Repurchase Agreement (including all exhibits, schedules and other addenda hereto or thereto), as

supplemented by the Pricing Side Letter, as it may be amended, further supplemented or otherwise modified from time to time.

"Anti-Terrorism Laws" shall mean any Requirements of Law applicable to any Seller relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such Requirements of Law, all as amended, supplemented or replaced from time to time.

"Applicable Margin" shall have the meaning set forth in the Pricing Side Letter.

"Assignment of Mortgage" shall mean, with respect to any Mortgage, an assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment of the Mortgage to Buyer.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, as amended from time to time.

"BPO" shall mean, with respect to a Loan, a broker's price opinion prepared by a duly licensed real estate broker who has no interest, direct or indirect, in the Loan or in such Seller or any Affiliate of such Seller and whose compensation is not affected by the results of the broker's price opinion and which valuation indicates the expected proceeds for a sale of the related Mortgaged Property. Unless otherwise agreed in writing by Buyer, each BPO shall take into account at least three (3) sales of comparable Loans and at least three (3) listings of comparable Loans.

"BPO Value" shall mean with respect to a Loan, the value of such Loan set forth in the most recently obtained BPO.

"Business Day" shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which the New York Stock Exchange, the Federal Reserve Bank of New York, banking and savings and loan institutions in the States of New York, the City of New York or the city or state in which Custodian's, Paying Agent's or Owner Trustee's offices are located are closed, or (iii) a day on which trading in securities on the New York Stock Exchange or any other major securities exchange in the United States is not conducted.

"Business Purpose Loan" shall mean a Loan originated by a Seller or the related originator for investment or commercial purposes and designated by such Seller as a "Business Purpose Loan", which Loan complies with the representations and warranties listed on Schedule 1-B attached hereto.

"Business Purpose Loan Custodial Agreement" shall mean the Custodial Agreement, dated as of May 8, 2014, among Buyer, the Sutherland Loan Seller and Wells Fargo Bank, National Association, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Business Purpose Custodial Assignment Agreement" shall mean with respect to each Business Purpose Loan owned by a Trust represented by a Purchased Certificate, the Assignment, Assumption and Recognition Agreement, dated as of February 10, 2012 among Sutherland Asset I, LLC, Sutherland Grantor Trust, Series I and the applicable Custodian, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Capital Lease Obligations" shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Cash Equivalents" shall mean (a) securities with maturities of 90 days or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of 90 days or less from the date of acquisition and overnight bank deposits of any commercial bank having capital and surplus in excess of $500,000,000, (c) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-1 or the equivalent thereof by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") or P-1 or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's") and in either case maturing within 90 days after the day of acquisition, (e) securities with maturities of 90 days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's, (f) securities with maturities of 90 days or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition, or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Certificate Custodial Agreement" shall mean the Custodial Agreement dated as of January 10, 2012 between Sutherland Asset I, LLC and the Custodian, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Certificates" shall mean each Trust Certificate issued pursuant to a Series Trust Agreement, representing 100% of the beneficial ownership in the related Trust.

"Change of Control" shall mean, (a) with respect to Guarantor, the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of outstanding shares of voting stock of Guarantor if after giving effect to

such acquisition such Person or Persons owns twenty percent (20%) or more of such outstanding shares of voting stock, or (b) Tom Capasse and Jack Ross are no longer employed by Guarantor.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collection Account" shall mean the account identified in the Collection Account Control Agreement.

"Collection Account Control Agreement" shall mean the collection account control agreement among Buyer, Sellers and Control Bank entered into with respect to the Collection Account as of May 8, 2014, as amended by that certain joinder to the collection account control agreement, dated as of June 26, 2017, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Commitment Fee" shall have the meaning assigned to it in the Pricing Side Letter.

"Committed Amount" shall have the meaning assigned to it in the Pricing Side Letter.

"Compliance Certificate" shall have the meaning provided in the Pricing Side Letter.

"Contractual Obligation" shall mean as to any Person, any material provision of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound or any material provision of any security issued by such Person.

"Control Bank" shall mean Citibank, N.A. in its capacity as control bank.

"Covered Entity" shall mean (a) Sutherland Asset Management Corporation and each of its Subsidiaries, and all brokers or other agents of any Seller acting in any capacity in connection with the Servicing Agreement and (b) each Person that, directly or indirectly, is in control of a Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the direct or indirect (x) ownership of, or power to vote, 25% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for such Person, or (y) power to direct or cause the direction of the management and policies of such Person whether by ownership of equity interests, contract or otherwise.

"Custodial Agreement" shall mean with respect to (a) each Business Purpose Loan owned by a Trust represented by a Purchased Certificate, the Certificate Custodial Agreement, (b) each Residential Loan owned by a Trust represented by a Purchased Certificate, the Residential Loan Custodial Agreement, (c) each ReadyCap Origination Loan that is a Purchased Loan, the ReadyCap Origination Loan Custodial Agreement, and (d) each Business Purpose Loan that is a Purchased Loan, the Business Purpose Loan Custodial Agreement, in each case, as such agreement may be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Custodial Certification" shall have the meaning provided in the applicable Custodial Agreement.

"Custodian" shall mean (i) Wells Fargo Bank, National Association, (ii) Deutsche Bank National Trust Company, (iii) U.S. Bank National Association or (iv) another custodian appointed by the related Trust or the Loan Seller, as applicable, and approved by Buyer.

"Default" shall mean an Event of Default or any event that, with the giving of notice or the passage of time or both, could become an Event of Default.

"Delinquent" shall mean, with respect to a Loan, such Loan is thirty (30) or more days past due with respect to scheduled payments of principal and interest.

"Depositor" shall mean the Certificate Seller in its capacity as depositor pursuant to the Master Trust Agreement.

"Dollars" or "$" shall mean lawful money of the United States of America.

"Due Date" shall mean the day of the month on which the Monthly Payment is due on a Loan, exclusive of any days of grace.

"Due Diligence Review" shall mean the performance by Buyer of any or all of the reviews permitted under Section 44 hereof with respect to any or all of the Loans or Sellers or related parties, as desired by Buyer from time to time.

"Effective Date" shall mean the date upon which the conditions precedent set forth in Section 9(a) have been satisfied or waived in writing by Buyer.

"Electronic Transmission" shall mean the delivery of information by e-mail, facsimile or in another electronic format acceptable to the applicable recipient thereof. An Electronic Transmission shall be considered written notice for all purposes hereof (except when a request or notice by its terms requires execution).

"Eligible Loan" shall have the meaning assigned thereto in the Pricing Side Letter.

"Eligible ReadyCap Origination Loan" shall have the meaning assigned thereto in the Pricing Side Letter.

"Environmental Laws" shall mean any federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy or rule of common law now or hereafter in effect, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or hazardous materials, including CERCLA, RCRA, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Oil Pollution Act of 1990, the Emergency Planning and the Community Right-to-Know Act of 1986, the Hazardous Material Transportation Act, the Occupational Safety and Health Act, and any state and local or foreign counterparts or equivalents.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any entity, whether or not incorporated, that is a member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Code of which any Seller is a member.

"Event of Default" shall have the meaning provided in Section 18 hereof.

"Exception" shall have the meaning assigned thereto in the applicable Custodial Agreement.

"Exception Report" shall mean the exception report prepared by Custodian pursuant to the applicable Custodial Agreement.

"Excluded Taxes" shall mean (i) any income taxes, branch profits taxes, franchise taxes, or other taxes, levies, imposts, or similar deductions, charges or withholdings measured by or enforced on gross receipts or net income that is imposed by the United States, a state, a foreign jurisdiction under the laws of which Buyer (or any assignee or Participant) is organized, maintains its applicable lending office or the office from which it books the Transactions, or has a present or former connection, and any political subdivision of any of the foregoing, (ii) any taxes, levies, imposts, or similar deductions, charges or withholdings imposed under FATCA, and (iii) any taxes, levies, imposts, or similar deductions, charges or withholdings that are imposed by the United States (or any agency thereof) pursuant to a law in effect on the date on which the applicable Buyer becomes a party to any Program Document or otherwise acquires any interest in the Obligations) or changes its lending office or the office from which it books the Transactions (except in each case to the extent that, pursuant to Section 5, Additional Amounts in respect of such taxes were payable to such Buyer's assignor immediately before such Buyer became a party to such Program Document or otherwise acquired an interest in the Obligations, or to such Buyer immediately before it changed its lending office, as applicable), and, in each case, any liabilities for penalties, interest, and additions to tax with respect thereto.

"Executive Order" shall mean Executive Order 13224-- Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism.

"Fannie Mae" shall mean the Federal National Mortgage Association, or any successor thereto.

"FATCA" shall mean Sections 1471 through 1474 of the Code and any regulations or official interpretations thereof, as the same may be amended, modified or replaced from time to time.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, or any successor thereto.

"Funding Notice" shall mean Buyer's agreement to enter into a Transaction requested by a Seller pursuant to a Transaction Notice. Such Funding Notice shall specify the Loans owned by the related Trust or proposed to be sold to Buyer that Buyer has agreed to include in such Transaction, the related Purchase Date and Repurchase Date, the related Purchase Price for such

Transaction and any other terms of such Transaction agreed upon between the related Seller and Buyer.

"GAAP" shall mean generally accepted accounting principles in effect from time to time in the United States of America.

"Ginnie Mae" shall mean the Government National Mortgage Association, or any successor thereto.

"Governmental Authority" shall mean with respect to any Person, any nation or government, any state or other political subdivision, agency or instrumentality thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, any of its Subsidiaries or any of its Properties.

"Guarantee" shall mean, as to any Person, any obligation of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term "Guarantee" shall not include (i) endorsements for collection or deposit in the ordinary course of business, or (ii) obligations to make servicing advances for delinquent taxes and insurance, or other servicing obligations in respect of a Mortgaged Property, to the extent required by Buyer. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms "Guarantee" and "Guaranteed" used as verbs shall have correlative meanings.

"Guarantor" shall mean Sutherland Asset Management Corporation as Guarantor under the Guaranty and its successors.

"Guaranty" shall mean the Amended and Restated Guaranty Agreement, dated as of the date hereof, by the Guarantor in favor of Buyer, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Income" shall mean, with respect to any Purchased Certificate, any principal and/or interest thereon and all dividends, sale proceeds, liquidation proceeds and all other proceeds as defined in Section 9-102(a)(64) of the Uniform Commercial Code and all other collections and distributions thereon (including, without limitation, distributions in respect of the Purchased Certificates or that the holders of the Purchased Certificates would be entitled to from amounts that would be received from the Servicer with respect to each Loan held by the related Trust.

"Indebtedness" shall mean, with respect to any Person: (a) all obligations created, issued or incurred by such Person for borrowed money; (b) obligations to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable and paid within ninety (90) days of the date the

respective goods are delivered or the respective services are rendered; (c) indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) obligations (contingent or otherwise) in respect of letters of credit or similar instruments issued for account of such Person; (e) Capital Lease Obligations; (f) payment obligations under repurchase agreements, single seller financing facilities, warehouse facilities and other lines of credit; (g) indebtedness of others Guaranteed on a recourse or partial recourse basis by such Person (including pursuant to the Guaranty); (h) all obligations incurred in connection with the acquisition or carrying of fixed assets; (i) indebtedness of general partnerships of which such Person is a general partner; and (j) any other known or contingent liabilities of such Person; provided that in all cases Indebtedness shall exclude non-recourse liabilities in connection with any securitization transaction.

"Insurance Proceeds" shall mean with respect to each Loan, proceeds of insurance policies insuring such Loan or the related Mortgaged Property.

"Interest Period" shall mean such period commencing on, but excluding, each Purchase Date and ending on, and including, the next occurring Repurchase Date for a related Loan.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended, including all rules and regulations promulgated thereunder.

"Jumbo Loan" shall mean a first lien Residential Loan with an original applicable balance that exceeds the applicable conforming balance limitations established by Fannie Mae and Freddie Mac, in effect as of the related Purchase Date.

"LIBO Base Rate" shall mean the greater of (a) 0.0%, and (b) the rate determined daily by Buyer on the basis of the "BBA's Interest Settlement Rate" offered for one-month U.S. dollar deposits, as such rate appears on Bloomberg L.P.'s page "BBAM" as of 11:00 a.m. (London time) on such date provided that if such rate does not appear on Bloomberg L.P.'s page "BBAM" as of such time on such date, the rate for such date will be the rate determined by reference to the most recently published rate on Bloomberg L.P.'s page "BBAM"; provided further that if such rate is no longer set on Bloomberg L.P.'s page "BBAM", the rate of such date will be determined by reference to such other comparable publicly available service publishing such rates as may be selected by Buyer in its reasonable discretion for use under this Agreement and comparable facilities provided by Buyer through Residential Mortgage Finance, a division of Citi Global Securitized Markets, which rates have performed or are expected by Buyer to perform in a manner substantially similar to the rate appearing on Bloomberg L.P.'s page "BBAM", and which rate will be communicated to Sellers. Notwithstanding anything to the contrary herein, Buyer shall have the sole discretion to re-set the LIBO Base Rate on a daily basis.

"LIBO Rate" shall mean with respect to each Interest Period pertaining to a Transaction, a rate per annum determined by Buyer in its sole discretion in accordance with the following formula (rounded to five decimal places), which rate as determined by Buyer shall be conclusive absent manifest error by Buyer:

$$\frac{\text{LIBO Base Rate}}{1.00 - \text{LIBO Reserve Requirements}}$$

The LIBO Rate shall be calculated daily.

"LIBO Reserve Requirements" shall mean for any Interest Period for any Transaction, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements applicable to Buyer in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such Governmental Authority. As of the Effective Date, the LIBO Reserve Requirements shall be deemed to be zero.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest or similar encumbrance.

"Liquidity" means with respect to any Person, the sum of (i) its unrestricted cash, plus (ii) its unrestricted Cash Equivalents, plus (iii) the aggregate amount of unused capacity available to such Person (taking into account applicable haircuts) under committed mortgage loan warehouse and servicer advance facilities for which such Person has unencumbered eligible collateral to pledge thereunder, plus (iv) all Marketable Securities.

"Loan" shall mean a first lien small balance commercial mortgage loan or a Jumbo Loan, which is either (i) owned by a Trust represented by a Purchased Certificate (or a Certificate proposed by a Seller to be purchased by Buyer), or (ii) sold or proposed to be sold by a Loan Seller to the Buyer in a Transaction hereunder, and in each case including the related Loan Documents held by Custodian on behalf of such Trust or such Loan Seller as applicable, pursuant to the applicable Custodial Agreement, and which Loan includes, without limitation, (i) a Note, the related Mortgage and all other Loan Documents, (ii) all right, title and interest of the Trust or such Loan Seller in and to the Mortgaged Property covered by such Mortgage and (iii) the related Servicing Rights, and all instruments, chattel paper, and general intangibles comprising or relating to all of the foregoing.

"Loan Documents" shall mean, with respect to a Loan, the documents comprising the Mortgage Asset File for such Loan.

"Loan Schedule" shall mean a hard copy or electronic format incorporating the fields reasonably required by Buyer, which shall include with respect to each Loan to be included in a Transaction without limitation: (i) the Loan number, (ii) the Mortgagor's name, (iii) the original principal amount of the Loan, (iv) the current principal balance of the Loan and (v) any other information required by Buyer and any other additional information to be provided pursuant to the applicable Custodial Agreement.

"Loan Sellers" shall mean each of the Sutherland Loan Seller and the ReadyCap Loan Seller.

"Margin Call" shall have the meaning assigned thereto in Section 6(a) hereof.

"Margin Deficit" shall have the meaning assigned thereto in Section 6(a) hereof.

"Marketable Securities" shall mean Asset-Backed Securities, as defined in Regulation AB.

"Market Value" shall mean the value, determined by Buyer in its sole discretion in a manner consistent with Buyer's determination of the market value of similar assets in its portfolio or subject to similar transactions, of the Purchased Loans or the Loans represented by the Purchased Certificates (including the Servicing Rights to the related Loans), if sold in their entirety to a single third-party purchaser taking into account the fact that the Loans may be sold under circumstances in which Sellers are in default under this Agreement. Buyer's determination of Market Value shall be conclusive upon the parties, absent manifest error on the part of Buyer. Buyer shall have the right to mark to market the Loans on a daily basis which Market Value with respect to one or more of the Loans may be determined to be zero. Each Seller acknowledges that Buyer's determination of Market Value is for the limited purpose of determining the value of Loans which are subject to Transactions hereunder without the ability to perform customary purchaser's due diligence and is not necessarily equivalent to a determination of the fair market value of the Loans achieved by obtaining competing bids in an orderly market in which the originator/servicer is not in default under a revolving debt facility and the bidders have adequate opportunity to perform customary loan and servicing due diligence. The Market Value shall be deemed to be zero with respect to each Loan that is not an Eligible Loan.

"Master Trust Agreement" shall mean either (a) the Master Trust Agreement dated as of January 31, 2012 by and between Depositor, Paying Agent, Securities Intermediary and Owner Trustee, or (b) another master trust agreement entered into by the Depositor and any relevant parties which is substantially similar to the agreement specified in clause (a), in each case as such agreement shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Material Adverse Effect" shall mean a material adverse effect on (a) the property, business, operations or financial condition of any Seller, (b) the ability of each Seller to perform its obligations under any of the Program Documents to which it is a party, (c) the validity or enforceability of any of the Program Documents, (d) the rights and remedies of Buyer under any of the Program Documents, (e) the timely repurchase of the Purchased Assets or payment of other amounts payable in connection therewith or (f) the Purchased Items.

"Maximum Aggregate Purchase Price" shall mean the sum of (i) the Committed Amount and (ii) in Buyer's sole discretion, the Uncommitted Amount.

"Minimum Release Price" shall mean with respect to any Loan, an amount equal to the greater of (i) the portion of the Repurchase Price allocable to such Loan, and (ii) the full amount of proceeds received in connection with the sale of such Loan.

"Monthly Payment" shall mean the scheduled monthly payment of principal and interest on a Loan as adjusted in accordance with changes in the Mortgage Interest Rate pursuant to the provisions of the Note for an adjustable rate Loan.

"Mortgage" shall mean with respect to a Loan, the mortgage, deed of trust or other instrument, which creates a first lien on the fee simple or leasehold estate in such real property which secures the Note.

"Mortgage Asset File" shall have the meaning assigned thereto in the applicable Custodial Agreement.

"Mortgage Interest Rate" means the annual rate of interest borne on a Note, which shall be adjusted from time to time with respect to adjustable rate Loans.

"Mortgaged Property" shall mean the real property (including all improvements, buildings, fixtures, building equipment and personal property thereon and all additions, alterations and replacements made at any time with respect to the foregoing) and all other collateral securing repayment of the debt evidenced by a Note.

"Mortgagee" shall mean the record holder of a Note secured by a Mortgage.

"Mortgagor" shall mean the obligor or obligors on a Note, including any person who has assumed or guaranteed the obligations of the obligor thereunder.

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been or are required to be made by a Seller or any ERISA Affiliate or as to which a Seller or any ERISA Affiliate has any actual or potential liability or obligation and that is covered by Title IV of ERISA.

"MV Margin Amount" shall mean, with respect to any Transaction, as of any date of determination, the amount obtained by application of the MV Margin Percentage to the Purchase Price for such Transaction as of such date.

"MV Margin Percentage" shall have the meaning assigned thereto in the Pricing Side Letter.

"Net Asset Value" shall mean, with respect to any Person as of any date of determination, the consolidated net book value of all assets of such Person and its subsidiaries (to the extent reflected as an asset in the balance sheet of such Person or any Subsidiary at such date) determined in accordance with GAAP.

"Net Income" shall mean, for any period, the net income of any Person for such period as determined in accordance with GAAP.

"Non-Exempt Person" shall mean any Person other than a Person who either (a) is a U.S. Person or (b) has provided for the relevant year such duly-executed form(s) or statement(s) which may, from time to time, be prescribed by law and which, pursuant to applicable provisions of (i) any income tax treaty between the United States and the country of residence of such Person, (ii) the Code, or (iii) any applicable rules or regulations in effect under clauses (a) or (b) above, permit the Servicer to make such payments free of any obligation or liability for withholding.

"Note" shall mean, with respect to any Loan, the related promissory note together with all riders thereto and amendments thereof or other evidence of indebtedness of the related Mortgagor.

"Obligations" shall mean (a) all of Sellers' obligation to pay the Repurchase Price on the Repurchase Date and other obligations and liabilities (including without limitation the Commitment Fee) of Sellers or any Trust represented by a Purchased Certificate to Buyer, its Affiliates, Custodian or any other Person arising under, or in connection with, the Program Documents or directly related to the Purchased Assets, whether now existing or hereafter arising; (b) any and all sums paid by Buyer or on behalf of Buyer pursuant to the Program Documents in order to preserve any Purchased Asset or Buyer's interest therein; (c) in the event of any proceeding for the collection or enforcement of any of Sellers' indebtedness, obligations or liabilities referred to in clause (a), the reasonable expenses of retaking, holding, collecting, preparing for sale, selling or otherwise disposing of or realizing on the Purchased Assets or otherwise exercising Buyer's rights as owner of Loans or as certificateholder (including terminating the Trusts and realizing, holding, collecting preparing for sale, selling or otherwise disposing of the Loans), or of any exercise by Buyer or any Affiliate of Buyer of its rights under the Program Documents, including without limitation, reasonable attorneys' fees and disbursements and court costs; and (d) all of Sellers' indemnity obligations to Buyer pursuant to the Program Documents.

"OFAC" shall mean the Office of Foreign Assets Control of the United States Department of the Treasury.

"Owner Trustee" shall mean U.S. Bank Trust National Association, as owner trustee pursuant to the Master Trust Agreement.

"Owner Trustee Instruction Letter" shall mean a letter agreement among the Certificate Seller, Buyer and Owner Trustee substantially in the form of Exhibit E attached hereto.

"Participants" shall have the meaning assigned thereto in Section 38 hereof.

"Paying Agent" shall mean Wells Fargo Bank, National Association as paying agent and securities administrator pursuant to the Master Trust Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, limited liability company, trust, unincorporated association or government (or any agency, instrumentality or political subdivision thereof).

"Plan" shall mean an employee benefit or other plan established or maintained by a Seller or, in the case of a Plan subject to Title IV of ERISA, any ERISA Affiliate and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Post-Default Rate" shall have the meaning assigned thereto in the Pricing Side Letter.

"Price Differential" shall mean, with respect to each Transaction as of any date of determination, the aggregate amount obtained by daily application of the Pricing Rate (or during the continuation of an Event of Default, by daily application of the Post-Default Rate) for such Transaction to the Purchase Price for such Transaction on a 360-day-per-year basis for the actual number of days elapsed during the period commencing on (and including) the Purchase Date and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential in respect of such period previously paid by a Seller to Buyer with respect to such Transaction).

"Pricing Rate" shall mean the per annum percentage rate for determination of the Price Differential as set forth in the Pricing Side Letter.

"Pricing Side Letter" shall mean the Second Amended and Restated Pricing Side Letter, dated as of the date hereof, among Sellers and Buyer, as the same may be amended, supplemented or modified from time to time.

"Program Documents" shall mean this Agreement, the Guaranty, the Pricing Side Letter, each Servicer Instruction Letter, each Owner Trustee Instruction Letter, the Collection Account Control Agreement, each Trust Document and any other agreement entered into by any Seller, on the one hand, and Buyer and/or any of its Affiliates or Subsidiaries (or Custodian on its behalf) on the other, in connection herewith.

"Prohibited Jurisdiction" shall mean any country or jurisdiction, from time to time, that is the subject of a prohibition order (or any similar order or directive), sanctions or restrictions promulgated or administered by any Governmental Authority of the United States.

"Prohibited Person" shall mean any Person:

(i) listed in the Annex to (the "Annex"), or otherwise subject to the provisions of, the Executive Order;

(ii) that is owned or controlled by, or acting for or on behalf of, any person or entity that is listed to the Annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) with whom Buyer is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order;

(iv) who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;

(v) that is named as a "specially designated national and blocked person" on the most current list published by the OFAC at its official website, http://www.treas.gov.ofac/t11sdn.pdf or at any replacement website or other replacement official publication of such list; or

(vi) who is an Affiliate of a Person listed above.

"Property" shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Purchase Date" shall mean, the date on which Loans or Certificates are sold by a Seller to Buyer in a Transaction hereunder or Loans are acquired by a Trust represented by a Purchased Certificate.

"Purchase Price" shall have the meaning assigned thereto in the Pricing Side Letter.

"Purchased Asset" shall mean a Purchased Certificate or a Purchased Loan.

"Purchased Certificate" shall mean each Certificate subject to a Transaction that has not been repurchased by the Certificate Seller hereunder.

"Purchased Items" shall have the meaning assigned thereto in Section 8 hereof.

"Purchased Loan" shall mean each Loan subject to a Transaction that has not been repurchased by a Loan Seller hereunder.

"ReadyCap Origination Loan" shall mean a Loan originated by the ReadyCap Loan Seller for investment or commercial purposes and designated by the ReadyCap Loan Seller as a "ReadyCap Origination Loan".

"ReadyCap Origination Loan Custodial Agreement" shall mean the Custodial Agreement, dated as of June 26, 2017, among the Buyer, ReadyCap Loan Seller and U.S. Bank National Association, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Records" shall mean all instruments, agreements and other books, records, and reports and data generated by other media for the storage of information maintained by Sellers or the Guarantor with respect to any Purchased Loans or any Trust represented by Purchased Certificates or the related Loans. Records shall include, without limitation, all instruments and documents necessary for the Buyer to exercise any of its remedies under Section 19, including all documents and instruments required for the holder of the related Certificate to terminate the related Trust and liquidate each related Loan, including without limitation all rights of the Loan Sellers or the Trust represented by a Purchased Certificate to obtain any Loan Documents or Servicing Records, and any other instruments necessary to enforce, document or service such Loan.

"Regulation AB" shall mean Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such rules may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset-Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506-1,631 (January 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

"Remittance Date" shall mean the eighteenth (18th) day of each month, or if such date is not a Business Day, the following Business Day.

"Reportable Compliance Event" shall mean that any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint or similar charging instrument, arraigned, or custodially detained in connection with any Anti-Terrorism Law or any predicate crime to any Anti- Terrorism Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law.

"Reportable Event" shall mean any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .21, .22, .23, .24, .28, .29, .31, or .32 of PBGC Reg. § 4043 (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Sections 302 or 303 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 430(j) of the Code or Section 303(j) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code).

"Repurchase Date" shall mean the date occurring on (i) the twenty-fifth (25th) day of each month following the related Purchase Date (or if such date is not a Business Day, the following Business Day), (ii) any other Business Day set forth in the related Funding Notice, (iii) the date determined by application of Section 19, as applicable, or (iv) the Termination Date. In no event shall the Repurchase Date for any Transaction occur after the Termination Date.

"Repurchase Price" shall mean with respect to a Transaction, the price at which the Purchased Assets are to be transferred from Buyer to the related Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the outstanding Purchase Price paid for the Purchased Assets and the Price Differential as of the date of such determination.

"Requirement of Law" shall mean as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or interpretation thereof or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Residential Loan" shall mean a Loan originated by a Seller or the related originator for residential purposes and designated by such Seller as a "Residential Loan", which Loan complies with the representations and warranties listed on Schedule 1-C attached hereto.

"Residential Loan Custodial Agreement" shall mean the Custodial Agreement, dated as of November 14, 2016, among Sutherland Grantor Trust, Series V and Deutsche Bank National Trust Company, as the same shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Responsible Officer" shall mean as to any Person, the chief executive officer or, with respect to financial matters, the chief financial officer of such Person; or any officer authorized to act hereunder as demonstrated by a certificate of corporate resolution.

"Sanctioned Country" shall mean a country subject to a sanctions program maintained under any Anti-Terrorism Laws.

"Sanctioned Person" shall mean any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person, group, regime, entity or thing, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any Anti-Terrorism Laws.

"Section 404 Notice" shall mean the notice required pursuant to Section 404 of the Helping Families Save Their Homes Act of 2009 (P.L. 111-22), which amends 15 U.S.C. Section 1641 et seq., to be delivered by a creditor that is an owner or an assignee of a mortgage loan to the related Mortgagor within thirty (30) days after the date on which such mortgage loan is sold or assigned to such creditor.

"Security Release Certification" shall mean a security release certification in substantially the form set forth in Exhibit F hereto.

"Series Trust Agreement" shall mean (i) with respect to the initial Transaction with respect to Certificates and Sutherland Grantor Trust, Series I, the Series Trust Agreement, dated February 10, 2012 by and between Depositor, Paying Agent and Owner Trustee, and (ii) for each subsequent Transaction with respect to Certificates, the related series trust agreement entered into pursuant to the related Master Trust Agreement, in each case as such agreement shall be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Servicer" shall mean (i) with respect to the initial Transaction with respect to Certificates, KeyBank National Association, as servicer pursuant to the Servicing Agreement or any successor servicer approved by Buyer (which approval shall not be unreasonably withheld) in accordance with the terms of the Servicing Agreement and (ii) with respect to any subsequent Transaction, the servicer appointed by a Loan Seller or the Trust represented by the Purchased Certificate, as applicable, and approved by Buyer (which approval shall not be unreasonably withheld).

"Servicer Instruction Letter" shall mean the letter agreement among Sellers, Buyer and Servicer substantially in the form of Exhibit D attached hereto.

"Servicing Agreement" shall mean (i) with respect to the initial Transaction with respect to Certificates, that certain Servicing Agreement dated as of April 15, 2014, among Sutherland Asset I, LLC, Trust, Servicer and the other owners and (ii) with respect to any subsequent Transaction, the servicing agreement governing the servicing of the Loans owned by a Loan Seller or the applicable Trust represented by the Purchased Certificate and approved by Buyer (which approval shall not be unreasonably withheld); in each case as such agreement shall be amended, restated, supplemented or otherwise modified and in effect from time to time; provided that Buyer shall have consented to any such amendment prior to its effectiveness (which consent shall not be unreasonably withheld).

"Servicing File" shall mean with respect to each Loan, the file retained by Servicer on behalf of a Loan Seller or the applicable Trust represented by a Purchased Certificate.

"Servicing Records" shall have the meaning assigned thereto in Section 43(b) hereof.

"Servicing Rights" shall mean contractual, possessory or other rights of a Loan Seller or the applicable Trust represented by a Purchased Certificate or any other Person to service a Loan, whether arising under a Servicing Agreement or otherwise, to administer or service a Loan or to possess related Servicing Records, including the right to terminate any servicing agreement without cause and free and clear of any obligations (including the obligation to repay or reimburse any servicing advances), costs or fees.

"Servicing Transmission" shall mean a computer-readable magnetic or other electronic format acceptable to the parties.

"Specified Residential Pool" shall have the meaning provided in the Pricing Side Letter.

"Subsidiary" shall mean with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

"Taxes" shall mean any taxes, levies, imposts, and similar deductions, charges or withholdings, and all liabilities for penalties, interest and additions to tax with respect thereto, imposed by any Governmental Authority, other than Excluded Taxes and Other Taxes.

"Termination Date" shall mean June 15, 2018, or such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law, or such later date in the event of an extension pursuant to Section 3(j).

"Total Indebtedness" shall mean with respect to any Person, for any period, the aggregate Indebtedness of such Person and its Subsidiaries during such period, less the amount of any nonspecific consolidated balance sheet reserves maintained in accordance with GAAP and less the amount of any non-recourse debt, including any securitization debt.

"Transaction" has the meaning assigned thereto in Section 1.

"Transaction Notice" shall mean a Seller's request to enter into a Transaction delivered to Buyer pursuant to the terms of this Agreement, specifying the Loans proposed to be sold by a Loan Seller or owned or proposed to be owned by the related Trust that the Certificate Seller requests to include in the determination of the Purchase Price for the Transaction, and any loan-level details as reasonably required by Buyer in connection with such Transaction. Each Transaction Notice shall have attached thereto an electronic data file with all required loan-level information.

"Trust" shall mean (i) with respect to the initial Transaction with respect to Certificates, Sutherland Grantor Trust, Series I, and (ii) with respect to each subsequent Transaction with respect to Certificates, the related Trust represented by a Purchased Certificate with respect to

Certificates, Sutherland Grantor Trust, Series I or any other Trust created pursuant to the Master Trust Agreement and a subsequent Series Trust Agreement, and identified on Schedule 3 to the Agreement as modified from time to time with the written consent of Sellers and Buyer.

"Trust Account" shall mean with respect to each Trust, the related Trust Account established pursuant to the Master Trust Agreement.

"Trust Documents" shall mean the Master Trust Agreement, and with respect to each Trust, the related Servicing Agreement, the related Custodial Agreement, the related Administrative Agency Agreement, the Business Purpose Custodial Assignment Agreement, each Certificate sold to Buyer in a Transaction hereunder, and each related Series Trust Agreement.

"Trust's Agent" shall mean Waterfall Asset Management, LLC, a Delaware limited liability company, in its capacity as Trust's Agent pursuant to the Administrative Agency Agreement.

"Uncommitted Amount" shall have the meaning provided in the Pricing Side Letter.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Purchased Items is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

"USC" shall mean the United States Code, as amended.

"USDA Loan" shall mean a Loan originated in accordance with the Rural Housing Service Section 502 Single Family Housing Guaranteed Loan Program.

"U.S. Person" shall mean (1) a citizen or resident of the United States, (2) a corporation or partnership organized in or under the laws of the United States or any state thereof or the District of Columbia (other than a partnership that is not treated as a U.S. person under any applicable U.S. Department of Treasury Regulations), (3) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (4) a trust if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more such U.S. persons have authority to control all substantial decisions of such trust. Notwithstanding the preceding sentence, to the extent provided in applicable U.S. Department of Treasury Regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons prior to such date that elect to continue to be so treated also will be considered U.S. persons.

(b) Accounting Terms and Determinations. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to Buyer hereunder shall be prepared, in accordance with GAAP.

(c) Interpretation. The following rules of this subsection (c) apply unless the context requires otherwise. A gender includes all genders. Where a word or phrase is defined, its other grammatical forms have a corresponding meaning. A reference to a subsection, Section, Annex or Exhibit is, unless otherwise specified, a reference to a Section of, or annex or exhibit to, this Agreement. A reference to a party to this Agreement or another agreement or document includes the party's successors and permitted substitutes or assigns. A reference to an agreement or document (including any Program Document) is to the agreement or document as amended, modified, novated, supplemented or replaced, except to the extent prohibited thereby or by any Program Document and in effect from time to time in accordance with the terms thereof. A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it. A reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form. A reference to conduct includes, without limitation, an omission, statement or undertaking, whether or not in writing. The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "including" is not limiting and means "including without limitation". In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including".

Except where otherwise provided in this Agreement, any determination, consent, approval, statement or certificate made or confirmed in writing with notice to a Seller by Buyer or an authorized officer of Buyer provided for in this Agreement is conclusive and binds the parties in the absence of manifest error. A reference to an agreement includes a security interest, guarantee, agreement or legally enforceable arrangement whether or not in writing related to such agreement.

A reference to a document includes an agreement (as so defined) in writing or a certificate, notice, instrument or document, or any information recorded in computer disk form. Where a Seller is required to provide any document to Buyer under the terms of this Agreement, the relevant document shall be provided in writing or printed form unless Buyer requests otherwise.

This Agreement is the result of negotiations among, and has been reviewed by counsel to, Buyer and Sellers, and is the product of all parties. In the interpretation of this Agreement, no rule of construction shall apply to disadvantage one party on the ground that such party proposed or was involved in the preparation of any particular provision of this Agreement or this Agreement itself. Except where otherwise expressly stated, Buyer may give or withhold, or give conditionally, approvals and consents and may form opinions and make determinations at its absolute discretion. Any requirement of good faith, discretion or judgment by Buyer shall not be construed to require Buyer to request or await receipt of information or documentation not reasonably available from or with respect to Sellers, a servicer of the Loans, any other Person, or the Loans themselves.

3. **THE TRANSACTIONS**

(a) Subject to the terms and conditions of the Program Documents, Buyer shall, with respect to the Committed Amount and may, with respect to the Uncommitted Amount, as requested by a Seller, enter into Transactions with a Purchase Price not to exceed the Maximum Aggregate Purchase Price. With respect to Certificates, the Purchase Price will be determined based upon the aggregate Market Value of the Loans owned or to be acquired on the related Purchase Date by the related Trust. Buyer shall have the obligation, subject to the terms and conditions of the Program Documents, to enter into Transactions up to the Committed Amount and shall have no obligation to enter into Transactions with respect to the Uncommitted Amount, which Transactions with respect to the Uncommitted Amount shall be entered into in the sole discretion of Buyer. Unless otherwise agreed by Buyer, all Transactions hereunder shall be first deemed committed up to the Committed Amount and then the remainder, if any, shall be deemed uncommitted up to the Uncommitted Amount.

(b) Unless otherwise agreed, a Seller shall request that Buyer enter into a Transaction by delivering to Buyer: (i) a Transaction Notice, (ii) an estimate of the Purchase Price for such Transaction, which in the case of a Certificate shall be determined using the amount allocable to the Loans owned by or proposed to be transferred to the related Trust represented by such Certificate (which estimate may be included in a Transaction Notice), and (iii) a copy of the original Custodial Certification issued by the applicable Custodian to the related Loan Seller or the related Trust, as applicable, showing that the related Mortgage Asset Files for each such Loan are held by the Custodian under the applicable Custodial Agreement without Exceptions. A copy of each Custodial Certifications shall be delivered to 540/580 Crosspoint Parkway, Getzville, New York 14068, Attention: Peter Szalowski for the account of Citibank, N.A., telephone number (716) 730-7086, as agent for Buyer by overnight delivery using a nationally recognized insured overnight delivery service. In addition, the related Seller will deliver to Buyer or cause Custodian to deliver to Buyer on each Business Day, via Electronic Transmission acceptable to Buyer, an electronic data file with respect to all Purchased Loans and Loans held by Custodian on behalf of each Trust represented by a Purchased Certificate subject to a Transaction and an Exception Report showing the status of all Purchased Loans and Loans then held by Custodian for each such Trust, including but not limited to the Loans which are subject to Exceptions, and the time the related Loan Documents have been released in accordance with the terms of the applicable Custodial Agreement.

Each Transaction Notice shall specify the proposed Purchase Date, Purchase Price (which shall in all events be at least equal to $1,000,000 on each day that there is a Transaction), Pricing Rate, and Repurchase Date. In addition, each Transaction Notice shall set forth the related portion of the Purchase Price for such Transaction that is allocable to each individual Loan. Each Transaction Notice shall clearly indicate whether each such Loan is intended to be a Residential Loan, a Business Purpose Loan or a ReadyCap Origination Loan, and shall include a Loan Schedule in respect of the Loans proposed to be sold to or owned by the related Trust represented by the related Purchased Certificate or the Certificate that a Seller proposes to include in the related Transaction.

Buyer shall notify the related Seller of its agreement to enter into a Transaction and confirm the terms of such Transaction, by delivering to the related Seller a Funding Notice

specifying the Loans or Trust Certificates (or Loans to be acquired by a Trust represented by a Purchased Certificate) Buyer agrees to include in such Transaction on the related Purchase Date and the portion of the related aggregate Purchase Price allocable to each Loan to be purchased or owned by the related Trust, and any other terms of the related Transaction. In the event of a conflict between the terms set forth in the Transaction Notice delivered by a Seller to Buyer and the terms set forth in the related Funding Notice delivered by Buyer to such Seller, the terms of the related Funding Notice shall control absent manifest error. In the event of a conflict between the terms set forth in this Agreement and the terms set forth in any Funding Notice, the terms of such Funding Notice shall control to the extent that the Funding Notice notes such conflict and specifies that the Funding Notice shall control.

By entering into a Transaction with Buyer, each Seller consents to the terms set forth in the related Funding Notice. The Funding Notice, together with this Agreement, shall constitute conclusive evidence of the terms agreed to between Buyer and the related Seller with respect to the Transaction to which the Funding Notice relates.

(c) Upon a Seller's request to enter into a Transaction pursuant to Section 3(a), Buyer shall, assuming all conditions precedent set forth in this Section 3 and in Sections 9(a) and (b) have been met, and provided no Default shall have occurred and be continuing, enter into a Transaction for the purchase of Loans, purchase of Loans by a Trust represented by a Purchased Certificate or a Certificate, as applicable, by transferring to the related Seller or at such Seller's direction, via wire transfer in accordance with the written wire transfer instructions provided by such Seller, the Purchase Price in immediately available funds on the related Purchase Date. With respect to each Certificate, the Purchase Price shall be determined using the Market Value of the Loans owned by the related Trust and included in the related Funding Notice. Each Seller acknowledges and agrees that the Purchase Price paid and determined based on the Market Value of any Loans related to any Transaction includes a mutually negotiated premium allocated to the portion of the related Loans that constitutes the related Servicing Rights, which Servicing Rights shall be owned by the Buyer with respect to Purchased Loans and by the related Trust with respect to Purchased Certificates.

(d) Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBO Base Rate:

(i) Buyer determines, which determination shall be conclusive, that quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Base Rate" in Section 2 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Transactions as provided herein;

(ii) Buyer determines, which determination shall be conclusive, that the Applicable Margin plus the relevant rate of interest referred to in the definition of "LIBO Base Rate" in Section 2 upon the basis of which the rate of interest for Transactions is to be determined is not likely to adequately cover the cost to Buyer of purchasing and holding the Purchased Assets hereunder; or

(iii) it becomes unlawful for Buyer to enter into Transactions with a Pricing Rate based on the LIBO Base Rate;

then Buyer shall give Sellers prompt notice thereof and, so long as such condition remains in effect, Buyer shall be under no obligation to enter into Transactions with respect to additional Loans or Certificates hereunder, and the related Seller shall, at its option, either (a) pay the Repurchase Price and all other Obligations then due and owing hereunder within thirty (30) days of such Seller's receipt of such notice from Buyer and terminate this Agreement or (b) pay a Pricing Rate at a rate per annum as determined by Buyer taking into account the increased cost to Buyer of maintaining the Transactions. In the event Sellers elect to pay the Repurchase Price and all other Obligations and terminate this Agreement pursuant to clause (a) above, Sellers shall be entitled to a refund of a prorated portion of any Commitment Fee actually paid by Sellers with respect to any period after the date on which such payment and termination become effective.

(e) Sellers shall repurchase the related Purchased Assets from Buyer on each related Repurchase Date. Each obligation to repurchase exists without regard to any prior or intervening liquidation or foreclosure with respect to any Purchased Loan or any Loan held by the Trust.

(f) Provided that no Default shall have occurred and be continuing, unless Buyer is notified by the Sellers to the contrary not later than 11:00 a.m. New York City time at least two (2) Business Days prior to any such Repurchase Date, on each related Repurchase Date each Purchased Asset shall automatically become subject to a new Transaction. In such event, the related Repurchase Date on which such Transaction becomes subject to a new Transaction shall become the "Purchase Date" for such Transaction. For each new Transaction, unless otherwise agreed, (y) the accrued and unpaid Price Differential shall be settled in cash on each related Repurchase Date, and (z) the Pricing Rate shall be as set forth in the Pricing Side Letter.

(g) If a Seller intends to repurchase any Purchased Assets or pay the portion of the Repurchase Price allocable to any Loans on any day that is not a Repurchase Date, such Seller shall give prior written notice thereof to Buyer by 2:00 p.m. (New York City time) on the date of repurchase. If such notice is given, the Repurchase Price specified in such notice shall be due and payable on the date specified therein, together with the Price Differential to such date on the amount prepaid.

(h) If any change in a Requirement of Law after the date hereof (other than with respect to any amendment made to Buyer's certificate of incorporation and by-laws or other organizational or governing documents) or any change in the interpretation or application thereof or compliance by Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject Buyer to any tax of any kind whatsoever (excluding Excluded Taxes, Other Taxes, and any Tax imposed on or with respect to payments made under any Program Document) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory advance or similar requirement against assets held by deposits or other liabilities in or for the account of Transactions or extensions of credit by, or any other acquisition of funds by any office of Buyer which is not otherwise included in the determination of the LIBO Base Rate hereunder; or

(iii) shall impose on Buyer any other condition (other than taxes);

and the result of any of the foregoing is to increase the cost to Buyer, by an amount which Buyer deems to be material, of effecting or maintaining purchases hereunder, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, Buyer shall give Sellers prompt notice thereof and, so long as such condition remains in effect, Buyer shall be under no obligation to enter into Transactions with respect to additional Loans or Certificates hereunder, and Sellers shall, at their option, either (a) pay the Repurchase Price and all other Obligations then due and owing hereunder within thirty (30) days of Sellers' receipt of such notice from Buyer and terminate this Agreement or (b) promptly pay Buyer such additional amount or amounts as will compensate Buyer for such increased cost or reduced amount receivable. In the event Sellers elect to pay the Repurchase Price and all other Obligations and terminate this Agreement pursuant to clause (a) above, Sellers shall be entitled to a refund of a pro-rated portion of any Commitment Fee actually paid by Sellers with respect to any period after the date on which such payment and termination become effective.

(i) If Buyer shall have determined that the adoption of or any change in any Requirement of Law (other than with respect to any amendment made to Buyer's certificate of incorporation and by-laws or other organizational or governing documents) regarding capital adequacy or in the interpretation or application thereof or compliance by Buyer or any corporation controlling Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which Buyer or such corporation could have achieved but for such adoption, change or compliance (taking into consideration Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by Buyer to be material, then Buyer shall give Sellers prompt notice thereof and, so long as such condition remains in effect, Buyer shall be under no obligation to enter into Transactions with respect to additional Loans or Certificates hereunder, and Sellers shall, at their option, either (a) pay the Repurchase Price and all other Obligations then due and owing hereunder within thirty (30) days of Sellers' receipt of such notice from Buyer and terminate this Agreement or (b) promptly pay to Buyer such additional amount or amounts as will thereafter compensate Buyer for any such reduction that was incurred by Buyer within ninety (90) days of Buyer's notice thereof. In the event Sellers elect to pay the Repurchase Price and all other Obligations and terminate this Agreement pursuant to clause (a) above, Sellers shall be entitled to a refund of a pro-rated portion of any Commitment Fee actually paid by Sellers with respect to any period after the date on which such payment and termination become effective.

If Buyer becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify Sellers of the event by reason of which it has become so entitled providing reasonable supporting detail as to such additional amounts. A certificate as to any additional

amounts payable pursuant to this subsection submitted by Buyer to Sellers shall be conclusive in the absence of manifest error.

(j) Provided no Default or Event of Default has occurred and is continuing, Sellers may request that Buyer agree to extend the Termination Date for a period of one hundred eighty (180) days by providing a written request for such extension to Buyer no earlier than one hundred twenty (120) days prior to the Termination Date, but no later than sixty (60) days prior to the Termination Date; provided that such extension of the Termination Date shall be at Buyer's sole discretion and shall be effective on the then current Termination Date and any Transactions outstanding on the then current Termination Date shall be terminated and new Transactions shall be entered into as of such date.

4. **PAYMENTS; COMPUTATION; COMMITMENT FEE**

(a) Payments. All payments to be made by Sellers under this Agreement shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to Buyer, except to the extent otherwise provided herein, at the following account maintained by Buyer at Citibank, New York, Account Number 36855692, For the A/C of Citibank, N.A., ABA# 021000089, Reference: Waterfall/Sutherland not later than 5:00 p.m., New York City time, on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Each Seller acknowledges that it has no rights of withdrawal from the foregoing account.

(b) Computations. The Price Differential shall be computed on the basis of a 360-day year for the actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

(c) Commitment Fee. Sellers agree to pay to Buyer, a commitment fee from and including the Effective Date to the Termination Date, equal to the Commitment Fee, such payment to be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to Buyer at the account set forth in Section 3.01(a). The Commitment Fee shall be payable in eleven (11) equal installments, with the first installment of the Commitment Fee payable on or prior to July 1, 2017, and each subsequent installment due and payable on the first (1st) day of each month commencing on August 2017 (or if such first (1st) day is not a Business Day, on the immediately succeeding Business Day). Buyer may, in its sole discretion, net any portion of the Commitment Fee that is due and payable from the proceeds of any Purchase Price paid to Sellers. The Commitment Fee is and shall be deemed to be fully earned as of the date hereof and each installment of the Commitment Fee is and shall be non-refundable when paid; provided that Sellers may be entitled to a pro-rated refund of a portion of the Commitment Fee pursuant to Section 3(d), Section 3(h) or Section 3(i). In the event that the Termination Date is accelerated to a date which is prior to the payment in full of all payments and installments of the Commitment Fee, any unpaid payments or installments of the Commitment Fee shall be due and payable on the Termination Date.

(d) Minimum Release Price. Prior to or simultaneously with the repurchase of any Loan or removal of any Loan from any Trust, the related Seller shall pay or cause to be paid to

the account specified in Section 4(a) above, the related Minimum Release Price in connection with such Loan.

5. **TAXES; TAX TREATMENT**

(a) All payments made by Sellers under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future Taxes, except as required by law, all of which shall be paid by Sellers not later than the date when due. If a Seller is required by law or regulation to deduct or withhold any Taxes from or in respect of any amount payable hereunder, it shall: (a) make such deduction or withholding; (b) pay the amount so deducted or withheld to the appropriate Governmental Authority not later than the date when due; (c) deliver to Buyer, promptly, original tax receipts and other evidence satisfactory to Buyer of the payment when due of the full amount of such Taxes; and (d) pay to Buyer such additional amounts (the "Additional Amounts") as may be necessary so that such Buyer receives, free and clear of all Taxes, a net amount equal to the amount it would have received under this Agreement, as if no such deduction or withholding had been made.

(b) In addition, Sellers agree to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies (including, without limitation, mortgage recording taxes, transfer taxes and similar fees) imposed by the United States or any taxing authority thereof or therein that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement except any such taxes, charges or levees that are imposed with respect to an assignment or participation of this Agreement or of any interest in this Agreement ("Other Taxes").

(c) Sellers agree to indemnify Buyer for the full amount of Taxes (including Additional Amounts with respect thereto) and Other Taxes, and the full amount of Taxes of any kind imposed on any payment made under this Agreement by any jurisdiction on amounts payable under this Section 5, and any liability (including penalties, interest and expenses, but not including Excluded Taxes) arising therefrom or with respect thereto, provided that Buyer shall have provided Sellers with evidence, reasonably satisfactory to Sellers, of payment of Taxes.

(d) (i) Any Buyer (including, for purposes of this Section 5(d), any assignee or Participant) that is not treated as a United States person within the meaning of Code section 7701(a)(30) (a "Foreign Buyer") shall provide Sellers with a properly completed United States Internal Revenue Service ("IRS") Form W-8BEN or W-8ECI or any successor form prescribed by the IRS, certifying that such Foreign Buyer is entitled to benefits under an income tax treaty to which the United States is a party which eliminates the U.S. withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States on or prior to the date upon which each such Foreign Buyer becomes a Buyer. In addition, in the event that a Foreign Buyer sells a participation interest hereunder pursuant to Section 38, such Foreign Buyer shall provide Sellers with a properly completed IRS Form W-8IMY or any successor form prescribed by the IRS, together with appropriate attachments, including the documentation described in the foregoing sentence with respect to the Participant. Each Foreign Buyer will resubmit the appropriate documentation on the earliest of (A) the third anniversary of the prior submission or

(B) on or before the expiration of thirty (30) days after there is a "change in circumstances" with respect to such Foreign Buyer as defined in Treas. Reg. Section 1.1441-1(e)(4)(ii)(D). In addition, each Participant or assignee that is not a Foreign Buyer shall provide Sellers, on or prior to the date on which such Buyer becomes a Buyer, properly completed IRS Form W-9 (or any successor thereto) certifying that it is not subject to backup withholding, and will resubmit such form on or before the expiration of thirty (30) days after any change in factual circumstances renders such form incorrect. For any period with respect to which a Foreign Buyer, Participant or assignee has failed to provide Sellers with the appropriate form or other relevant document pursuant to this Section 5(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Foreign Buyer, Participant or assignee shall not be entitled to any Additional Amounts under Section 5(a) or indemnification under Section 5(c) with respect to Taxes that would not have been imposed but for such failure; provided, however, that should a Foreign Buyer or assignee which is otherwise exempt from a withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, Sellers shall take such steps as such Foreign Buyer or assignee shall reasonably request to assist such Foreign Buyer, Participant or assignee to recover such Taxes, so long as taking such steps shall not subject Sellers to any unreimbursed cost or expense. For the avoidance of doubt, no Foreign Buyer, Participant or assignee shall be entitled to become a Buyer, assignee or participant hereunder if it is not at such time legally eligible to provide, or if it does not in fact provide, the documentation described above in this Section 5(d)(i).

(ii) Upon any reasonable request of Sellers, each Buyer shall deliver to Sellers (in such number of copies as shall be reasonably requested by Sellers) executed originals of any form or other documentation prescribed by applicable law (i) as a basis for claiming exemption from or a reduction in withholding tax and (ii) as to enable Sellers to determine whether or not such Buyer is subject to backup withholding or information reporting requirements, in each case duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit Sellers to determine the withholding or deduction required to be made; provided, that the completion, execution, and submission of any documentation described in this clause (iv) shall not be required if in such Buyer's reasonable judgment such completion, execution or submission would subject such Buyer to any material unreimbursed cost or expense or would otherwise materially prejudice the legal or commercial position of such Buyer.

(iii) Each Buyer shall deliver to Sellers at the time or times prescribed by law and at such time or times reasonably requested by a Seller, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by Sellers as may be necessary for Sellers to comply with their obligations under FATCA and to determine that such Buyer has complied with its obligations under FATCA or to determine the amount to deduct and withhold from any payment under FATCA.

(e) Without prejudice to the survival or any other agreement of Sellers hereunder, the agreements and obligations of Sellers contained in this Section 5 shall survive the termination of this Agreement. Nothing contained in this Section 5 shall require Buyer to make available any of its tax returns or other information that it deems to be confidential or proprietary.

(f) Each party to this Agreement acknowledges that it is its intent for purposes of U.S. federal, state and local income and franchise taxes to treat each Transaction as indebtedness of the Sellers that is secured by the Purchased Assets and to treat the Purchased Assets as owned by the related Seller in the absence of an Event of Default by Sellers. All parties to this Agreement agree to such treatment and agree to take no action inconsistent with this treatment, unless required by law.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5 (including by the payment of Additional Amounts pursuant to this Section 5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 5 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 5(g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 5(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 5(g) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the indemnification payments or Additional Amounts giving rise to such refund had never been paid. This Section 5(g) shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying party or any other person.

(h) If, with respect to any Transaction, Sellers are required under this Section 5 to pay any Additional Amounts to Buyer or to pay any Taxes to a Governmental Authority for the account of Buyer, then Sellers shall have the right to pay the Repurchase Price and all other outstanding Obligations and terminate the applicable Transaction. In the event Sellers elect to pay the Repurchase Price and all other outstanding Obligations, Sellers shall be entitled to a refund of a pro-rated portion of any Commitment Fee actually paid by Sellers with respect to any period after the date on which such payment and termination become effective.

6. MARGIN MAINTENANCE

(a) If at any time the aggregate Market Value of the Purchased Loans and Loans owned by any Trust represented by a Purchased Certificate is less than the aggregate MV Margin Amount for all outstanding Transactions, (such event, a "Margin Deficit"), then Buyer may, by notice to Sellers and Guarantor, require Sellers to transfer to Buyer cash within the time period specified in clause (b) below, so that the cash and aggregate Market Value of the Purchased Loans and Loans owned by any Trusts represented by a Purchased Certificate will thereupon equal or exceed such aggregate MV Margin Amount (such requirement, a "Margin Call"). Buyer shall deposit such cash into a non-interest bearing account until the next succeeding Repurchase Date.

(b) Notice required pursuant to Section 6(a) may be given by any means provided in Section 21 hereof. Any notice given prior to 11:00 a.m. (New York City time) on a Business Day shall be met, and the related Margin Call satisfied, on the same Business Day. Any notice given after to 11:00 a.m. (New York City time) on a Business Day shall be met, and the related Margin Call satisfied, not later than 12:00 noon (New York City time) on the next Business Day. The failure of Buyer, on any one or more occasions, to exercise its rights under this Section 6, shall not change or alter the terms and conditions to which this Agreement is subject or limit the right of Buyer to do so at a later date. Sellers and Buyer each agree that a failure or delay by Buyer to exercise its rights hereunder shall not limit or waive Buyer's rights under this Agreement or otherwise existing by law or in any way create additional rights for Sellers.

7. **INCOME PAYMENTS**

(a) Where a particular term of a Transaction extends over the date on which Income is paid in respect of any Purchased Assets, such Income shall be the property of Buyer. With respect to Purchased Certificates, Sellers shall cause Buyer to be the registered holder of each related Certificate and shall remit or cause all payments of Income with respect to each Purchased Certificate to be remitted by the Paying Agent directly to the Collection Account, or otherwise in accordance with Buyer's instructions. With respect to Purchased Loans, Sellers shall cause Servicer to remit all Income with respect to the Purchased Loans directly to the Collection Account on a monthly basis on the related Remittance Date.

(b) So long as no Default or Event of Default is in existence, Buyer shall, or shall direct the Control Bank on the applicable Repurchase Date, to apply such Income on deposit in the Collection Account in the following order of priority: *first*, to Buyer, all accrued and unpaid expenses, fees and other amounts (other than the amounts specified in clauses third and fourth of this paragraph) due and payable by any Seller pursuant to this Agreement; *second,* to pay to Buyer an amount equal to any accrued and unpaid Price Differential; *third,* to pay to Buyer an amount sufficient to eliminate any Margin Deficit; and *fourth*, to Sellers, any remaining funds. In the event that any Default or Event of Default is in existence, Buyer shall be entitled to retain all Income, or shall direct the Control Bank on the applicable Repurchase Date, to apply such Income on deposit in the Collection Account.

Buyer shall not be obligated to take any action pursuant to the preceding clause (b) (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Sellers transfer to Buyer cash in an amount sufficient to eliminate such Margin Deficit, or (B), if an Event of Default has occurred and is then continuing at the time such Income is paid.

8. **SECURITY INTEREST; BUYER'S APPOINTMENT AS ATTORNEY-IN-FACT**

(a) Sellers and Buyer intend that the Transactions hereunder be sales to Buyer of the Purchased Assets and not loans from Buyer to the Sellers secured by the Purchased Assets. However, in order to preserve Buyer's rights under this Agreement in the event that a court or other forum recharacterizes the Transactions hereunder as other than sales, and as security for Sellers' performance of all of their Obligations, each Seller hereby grants Buyer a perfected first priority security interest in all of such Seller's rights, title and interest in and to the following

property, whether now existing or hereafter acquired: (i) the Purchased Assets and the rights of each Seller with respect to all Loans identified on a Funding Notice delivered by Buyer to Sellers and Custodian from time to time, (ii) all interests of each Seller in the related Loan Documents, including without limitation all promissory notes, (iii) all interests of each Seller in any other collateral pledged or otherwise relating to the related Loans, together with all files, material documents, instruments, surveys (if available), certificates, correspondence, appraisals, computer records, computer storage media, Loan accounting records and other books and records relating thereto, (iv) each Seller's rights in the Servicing Records, and the related Servicing Rights in connection with any such Loan, (v) all rights of each Seller to receive from any third party or to take delivery of any Servicing Records or other documents which constitute a part of the Mortgage Asset File or Servicing File, all rights of each Seller to receive from any third party or to take delivery of any Records or other documents which constitute a part of the Mortgage Asset File or Servicing File, (vi) the Collection Account and all Income relating to the Purchased Assets, (vii) each Seller's right to the Trust Account and all income relating to the Purchased Assets, (viii) Seller's right to all interests in real property collateralizing any Purchased Loans, (ix) Seller's right to all other insurance policies and Insurance Proceeds relating to any Purchased Loans or the related Mortgaged Property and all Insurance Proceeds and all rights of Sellers to receive from any third party or to take delivery of any of the foregoing, (x) any purchase agreements or other agreements, contracts or any related takeout commitments relating to or constituting any or all of the foregoing and all rights to receive documentation relating thereto, (xi) all "accounts", "chattel paper", "commercial tort claims", "deposit accounts", "documents," "equipment", "general intangibles", "goods", "instruments", "inventory", "investment property", "letter of credit rights", and "securities' accounts" as each of those terms is defined in the Uniform Commercial Code and all cash and Cash Equivalents and all products and proceeds relating to or constituting any or all of the foregoing, and (xii) any and all replacements, substitutions, distributions on or proceeds of any or all of the foregoing (collectively the "Purchased Items").

Each Seller acknowledges and agrees that its rights with respect to the Purchased Items (including without limitation, any security interest such Seller may have in the Loans and any other collateral granted by such Seller to Buyer pursuant to any other agreement) are and shall continue to be at all times junior and subordinate to the rights of Buyer hereunder. Each Seller further acknowledges that it has no rights to the Servicing Rights related to the Loans. Without limiting the generality of the foregoing and for the avoidance of doubt, in the event that a Seller is deemed to retain any residual Servicing Rights, such Seller grants, assigns and pledges to Buyer a first priority security interest in all of its rights, title and interest in and to the Servicing Rights as indicated hereinabove.

(b) At any time and from time to time, upon the written request of Buyer, and at the expense of Sellers, Sellers will promptly and duly execute and deliver, or will promptly cause to be executed and delivered, such further instruments and documents and take such further action as Buyer may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Purchased Items and the liens created hereby. Each Seller also hereby authorizes Buyer to file any such financing or continuation statement without the

signature of Sellers to the extent permitted by applicable law. This Agreement shall constitute a security agreement under applicable law.

(c) No Seller shall (i) change the location of its chief executive office/chief place of business from that specified in Section 12(m) hereof, (ii) change its name, jurisdiction or organization, identity or corporate structure (or the equivalent) or change the location where it maintains its records with respect to the Purchased Items, or (iii) reincorporate or reorganize under the laws of another jurisdiction unless it shall have given Buyer at least thirty (30) days prior written notice thereof and shall have delivered to Buyer all Uniform Commercial Code financing statements and amendments thereto as Buyer shall request and taken all other actions deemed reasonably necessary by Buyer to continue its perfected status in the Purchased Items with the same or better priority.

(d) Each Seller hereby irrevocably constitutes and appoints Buyer and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Seller and in the name of such Seller or in its own name, from time to time if a Default has occurred as determined by Buyer in Buyer's discretion, for the purpose of carrying out the terms of this Agreement, including without limitation, protecting, preserving and realizing upon the Purchased Items, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, including without limitation, to protect, preserve and realize upon the Purchased Items, to file such financing statement or statements relating to the Purchased Items without such Seller's signature thereon as Buyer at its option may deem appropriate, and, without limiting the generality of the foregoing, each Seller hereby gives Buyer the power and right, on behalf of such Seller, without assent by, but with notice to, such Seller, if a Default shall have occurred and be continuing, to do the following:

(i) in the name of such Seller, or in its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Purchased Items and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Buyer for the purpose of collecting any and all such moneys due with respect to any Purchased Items whenever payable;

(ii) to pay or discharge taxes and Liens levied or placed on or threatened against the Purchased Items;

(iii) (A) to direct any party liable for any payment under any Purchased Items to make payment of any and all moneys due or to become due thereunder directly to Buyer or as Buyer shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Purchased Items; (C) to sign and endorse any invoices, assignments, verifications, notices and other documents in connection with any Purchased Items; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Purchased Items or any proceeds thereof and to enforce any other right in respect of any Purchased Items; (E) to

defend any suit, action or proceeding brought against such Seller with respect to any Purchased Items; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as Buyer may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any Purchased Items as fully and completely as though Buyer were the absolute owner thereof for all purposes, and to do, at Buyer's option and Sellers' expense, at any time, and from time to time, all acts and things which Buyer deems necessary to protect, preserve or realize upon the Purchased Items and Buyer's Liens thereon and to effect the intent of this Agreement, all as fully and effectively as any Seller might do.

Each Seller hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable. This power of attorney shall not revoke any prior powers of attorney granted by any Seller.

Each Seller also authorizes Buyer, if an Event of Default shall have occurred and be continuing, from time to time, to execute, in connection with any sale provided for in Section 19 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Purchased Items.

(e) The powers conferred on Buyer hereunder are solely to protect Buyer's interests in the Purchased Items and shall not impose any duty upon it to exercise any such powers. Buyer shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to any Seller for any act or failure to act hereunder, except for its or their own gross negligence or willful misconduct.

(f) If a Seller fails to perform or comply with any of its agreements contained in the Program Documents and Buyer performs or complies, or otherwise cause performance or compliance, with such agreement, the reasonable out-of-pocket expenses of Buyer incurred in connection with such performance or compliance, together with interest thereon at a rate per annum equal to the Post-Default Rate, shall be payable by Sellers to Buyer on demand and shall constitute Obligations.

(g) Buyer's duty with respect to the custody, safekeeping and physical preservation of the Purchased Items in its possession, under Section 9-207 of the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as Buyer deals with similar property for its own account. Neither Buyer nor any of its directors, officers or employees shall be liable for failure to demand, collect or realize upon all or any part of the Purchased Items or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Purchased Items upon the request of Sellers or otherwise.

(h) All authorizations and agencies herein contained with respect to the Purchased Items are irrevocable and powers coupled with an interest.

9. **CONDITIONS PRECEDENT**

(a) As conditions precedent to the initial Transaction, Buyer shall have received on or before the date on which such initial Transaction is consummated the following, in form and substance satisfactory to Buyer and duly executed by each party thereto (as applicable):

(i) Program Documents. The Program Documents (including all exhibits, annexes and schedules related thereto) duly executed and delivered by Sellers and being in full force and effect, free of any modification, breach or waiver.

(ii) Organizational Documents. An Officer's Certificate of the ReadyCap Loan Seller and the Guarantor in substantially the form attached hereto as Exhibit F, together with a good standing certificate of the ReadyCap Loan Seller and Guarantor dated as of a recent date, but in no event more than ten (10) days prior to the date of such initial Transaction, and certified copies of the charter and by-laws (or equivalent documents) of the ReadyCap Loan Seller and Guarantor, and of all corporate or other authority for the ReadyCap Loan Seller and Guarantor with respect to the execution, delivery and performance of the Program Documents and each other document to be delivered by the ReadyCap Loan Seller and Guarantor from time to time in connection herewith (and Buyer may conclusively rely on such certificate until it receives notice in writing from Sellers to the contrary).

(iii) Incumbency Certificate. An incumbency certificate with respect to the ReadyCap Loan Seller and Guarantor of the secretary of the ReadyCap Loan Seller or Guarantor, as applicable, certifying the names, true signatures and titles of the ReadyCap Loan Seller or Guarantor's (as applicable) representatives duly authorized to request Transactions hereunder and to execute the Program Documents and the other documents to be delivered thereunder.

(iv) Legal Opinions. Legal opinions of counsel to the ReadyCap Loan Seller and Guarantor in form and substance acceptable to Buyer with respect to (i) corporate and formation matters with respect to the ReadyCap Loan Seller and Guarantor and Investment Company Act opinions with respect to the ReadyCap Loan Seller and Guarantor, and (ii) the Program Documents, including without limitation, enforceability, first priority perfected security interest in the Purchased Assets and bankruptcy safe harbor opinions with respect to matters specified in Section 40.

(v) Filings, Registrations, Recordings. (i) Any documents (including, without limitation, financing statements) required to be filed, registered or recorded in order to create, in favor of Buyer, a perfected, first-priority security interest in the Purchased Items, subject to no Liens other than those created hereunder, shall have been properly prepared and executed for filing (including the applicable county(ies) if Buyer determines such filings are necessary in its reasonable discretion), registration or recording in each office in each jurisdiction in which such filings, registrations and recordations are required to perfect such first-priority security interest; and (ii) UCC lien searches, dated as of a recent date, in no event more than fourteen (14) days prior to the date of such

initial Transaction, in such jurisdictions as shall be applicable to Sellers, the Trust and the Purchased Items, the results of which shall be satisfactory to Buyer.

(vi) Fees and Expenses. Buyer shall have received all fees and expenses (including without limitation, the Commitment Fee) required to be paid by Sellers on or prior to the initial Purchase Date, which fees and expenses may be netted out of any purchase proceeds paid by Buyer hereunder.

(vii) Financial Statements. Buyer shall have received (A) the financial statements referenced in Section 12(b) and (B) the unaudited consolidated balance sheets of Guarantor as of September 30, 2016.

(viii) Consents, Licenses, Approvals, etc. Buyer shall have received copies certified by each Seller of all consents, licenses and approvals, if any, required in connection with the execution, delivery and performance by such Seller of, and the validity and enforceability of, the Program Documents, which consents, licenses and approvals shall be in full force and effect.

(ix) Insurance. Buyer shall have received evidence in form and substance satisfactory to Buyer showing compliance by the ReadyCap Loan Seller as of such initial Purchase Date with Section 13(v) hereof.

(x) Powers of Attorney. A Power of Attorney executed by the ReadyCap Loan Seller in the form attached hereto as Exhibit J.

(xi) Other Documents. Buyer shall have received such other documents as Buyer or its counsel may reasonably request.

(b) The obligation of Buyer to enter into each Transaction pursuant to this Agreement (including the initial Transaction) is subject to the following further conditions precedent, both immediately prior to any Transaction and also after giving effect thereto and to the intended use thereof:

(i) No Default or Event of Default shall have occurred and be continuing.

(ii) Both immediately prior to entering into such Transaction and also after giving effect thereto and to the intended use of the proceeds thereof, the representations and warranties made by Sellers in Section 12 and Schedules 1-A, 1-B and 1-C hereof, and in each of the other Program Documents, shall be true and correct on and as of the Purchase Date in all material respects (in the case of the representations and warranties in Section 12(w) and Schedules 1-B and 1-C, solely with respect to Purchased Loans and Loans owned by the applicable Trust which have not been repurchased by the related Seller) with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date). At the request of Buyer, Buyer shall have received an officer's certificate signed by a Responsible Officer of each Seller certifying as to the truth and accuracy of the above, which certificates shall specifically include a statement that each Seller is in material compliance with all required governmental licenses and

authorizations and is qualified to do business and in good standing in all required jurisdictions, in each case as required by applicable law.

(iii) The then aggregate outstanding Purchase Price for the Purchased Assets, when added to the Purchase Price for the requested Transaction, shall not exceed the Maximum Aggregate Purchase Price.

(iv) Subject to Buyer's right to perform one or more Due Diligence Reviews pursuant to Section 44 hereof, Buyer shall have completed its Due Diligence Review of the Loan Documents for each Purchased Loan and each Loan owned by a Trust represented by the Certificate proposed to be purchased, the Trust Documents related to such Certificate (including any amendments) and such other documents, records, agreements, instruments, Mortgaged Properties or information relating to Sellers, any servicer, Guarantor any other party to the Trust Documents or such Loans as Buyer in its reasonable discretion deems appropriate to review and such review shall be satisfactory to Buyer in its reasonable discretion.

(v) Buyer shall have made a determination in its sole discretion that each Certificate, Loan or any pool of Loans is eligible for inclusion in a Transaction, except with respect to a Loan owned by a Trust as to which Buyer has assigned a Market Value of zero, but is not required by Buyer to be removed from such Trust pursuant to Section 15.

(vi) With respect to a Transaction in which a new Certificate is being sold, Buyer shall have received on or before the day of a Transaction, the original Certificate or Certificates in the name of Buyer, together with (i) all related Trust Documents, together with a certificate of a responsible officer of Certificate Seller that such documents are true and correct as of the related Purchase Date, in form and substance acceptable to Buyer, and (ii) a Power of Attorney of Certificate Seller substantially in the form attached hereto as Exhibit I with respect to the related Trust Documents.

(vii) Buyer or its designee shall have received on or before the day of a Transaction (unless otherwise specified in this Agreement) the following, in form and substance satisfactory to Buyer and (if applicable) duly executed:

(A) the Transaction Notice with respect to the related Loans or Certificate proposed to be purchased (including all required details with respect to each Loan proposed to be sold or owned by the related Trust represented by such Certificate), delivered pursuant to Section 3(a);

(B) such certificates, customary opinions of counsel or other documents as Buyer may reasonably request, provided that such opinions of counsel shall not be required routinely in connection with each Transaction but shall only be required from time to time as deemed necessary by Buyer in its commercially reasonable judgment;

(C) a copy of and approved the terms of each Servicing Agreement applicable to the related Loans to be purchased or owned by the Trust represented by

the Certificate proposed to be sold in such Transaction, in each case, as such agreement may be amended, supplemented or otherwise modified from time to time and approved by Buyer;

(D) the related Loan Schedule with respect to the Loans to be purchased or each Certificate, as applicable, delivered pursuant to Section 3;

(E) with respect to a purchase of a Certificate, the original Certificate in the name of Buyer and each of the Trust Documents duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver, including, with respect to such Certificate, all necessary documents, affidavits and assignments (with medallion stamp applied as necessary) necessary to register such Certificate in the name of Buyer;

(F) if any Trust Documents related to a Certificate proposed to be sold hereunder are materially different (in Buyer's determination) from the Trust Documents related to the Trust represented by the initial Purchased Certificate hereunder, an opinion of counsel satisfactory to the Buyer as to the formation and existence of such Trust, the attachment and perfection of the security interest in favor of the Buyer in the Certificate and such other matters as Buyer may reasonably request; and

(G) with respect to any Loans proposed to be sold or Loans owned by the Trust represented by such Certificate, a copy of the Custodial Certification executed by the Custodian without Exceptions except those acceptable to Buyer for the Loans to become subject to a Transaction on such Business Day, in each case dated such Business Day and duly completed.

(viii) None of the following shall have occurred and/or be continuing: an event beyond the control of Buyer which Buyer reasonably determines may result in Buyer's inability to perform its obligations under this Agreement including, without limitation, acts of God, strikes, lockouts, riots, acts of war or terrorism, epidemics, nationalization, expropriation, currency restrictions, fire, communication line failures, computer viruses, power failures, earthquakes, or other disasters of a similar nature to the foregoing shall have occurred or be continuing.

(ix) Reserved

(x) If any Loans are serviced by a Person other than a Servicer (a "Subservicer"), Buyer shall have received, no later than 10:00 a.m. two (2) days prior to the requested Purchase Date, a Servicer Instruction Letter in the form attached hereto as Exhibit D, executed by the related Seller in blank to the attention of each Subservicer and executed by such Subservicer, with the related Servicing Agreement attached thereto in form and substance acceptable to Buyer.

(xi) Buyer shall have determined that all actions necessary or, in the reasonable opinion of Buyer, desirable to maintain Buyer's perfected interest in the

Purchased Assets and other Purchased Items have been taken, including, without limitation, duly executing and filing Uniform Commercial Code financing statements on Form UCC-1.

(xii) Sellers shall have paid to Buyer all fees and expenses owed to Buyer in accordance with this Agreement and any other Program Document including, without limitation the amount of any Commitment Fees then due and owing, and all of Buyer's reasonable attorney fees and expenses and due diligence expenses then due and owing.

(xiii) Buyer or its designee shall have received any other documents reasonably requested by Buyer.

(xiv) There is no Margin Deficit at the time immediately prior to entering into a new Transaction.

(xv) The related Seller shall have provided to Buyer copies of all material due diligence that such Seller or Servicer has performed with respect to any Loans or Certificates to be purchased by Buyer hereunder.

(xvi) Reserved.

(xvii) With respect to each Loan that is subject to a security interest (including any precautionary security interest) immediately prior to the Purchase Date for the related Transaction, Buyer shall have received a Security Release Certification for such Loan that is duly executed by the related secured party and the related Seller. Such secured party shall have filed Uniform Commercial Code termination statements in respect of any Uniform Commercial Code filings made in respect of such Loan, and each such release and Uniform Commercial Code termination statement has been delivered to Buyer prior to each Transaction and to Custodian as part of the Mortgage Asset File.

10. **RELEASE OF CERTIFICATES AND LOANS**

Upon timely payment in full of the Repurchase Price then owing with respect to Purchased Loans or a Purchased Certificate, upon timely payment in full of the Repurchase Price then owing with respect to such Purchased Loans or Purchased Certificate, and in each case upon the satisfaction of all other Obligations (if any) then outstanding, unless a Default or Event of Default shall have occurred and be continuing, then Buyer shall be deemed to have terminated any security interest that Buyer may have in such Purchased Loans or Purchased Certificate and any Purchased Items solely related to such Purchased Loans or owned by the Trust represented by such Purchased Certificate. At the request of the related Seller, Buyer shall file UCC-3 termination statements with respect to any Certificates which have been released by Buyer and take any other action reasonably requested by the related Seller to effect the re- transfer of such Certificates to such Seller. With respect to any Purchased Loans or Loans held by a Trust represented by a Certificate subject to a Transaction, upon timely payment in full of the Minimum Release Price with respect to such Loan in accordance with Section 4(d), and satisfaction of all other Obligations (if any) then outstanding (other than the aggregate outstanding Repurchase Price), unless a Default or Event of Default shall have occurred and be continuing, then Buyer shall consent to the release of such Loan or removal of such Loan from

the Trust, unless such release and termination would give rise to or perpetuate a Margin Deficit. Sellers shall give at least two (2) Business Days prior written notice to Buyer if such repurchase or removal shall occur on any date other than the Repurchase Date.

Notwithstanding the foregoing, no Loan may be repurchased or removed from a Trust prior to the satisfaction of all Obligations hereunder and termination of this Agreement, unless such release is in connection with (i) the foreclosure of such Loan by the related Seller or the applicable Trust or its designee, or (ii) a sale of such Loan by the related Seller or the Trust or its designee to a third party, and in each case such removal shall be conditioned upon Buyer's consent, to be provided upon Buyer's verification that the Minimum Release Price has been paid in accordance with Section 4(d).

If any release and termination gives rise to or perpetuates a Margin Deficit, Buyer shall notify Sellers of the amount thereof and prior to such release and termination Sellers shall thereupon satisfy the Margin Call in the manner specified in Section 6.

11. RELIANCE

With respect to any Transaction, Buyer may conclusively rely upon, and shall incur no liability to any Seller in acting upon, any request or other communication that Buyer reasonably believes to have been given or made by a person authorized to enter into a Transaction on a Seller's behalf.

12. REPRESENTATIONS AND WARRANTIES

Each Seller represents and warrants to Buyer that throughout the term of this Agreement:

(a) Existence. Each Seller and Guarantor and each Trust subject to a Purchased Certificate (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed, (b) has all requisite corporate or other power, and has all governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect, (c) is qualified to do business and is in good standing in all other jurisdictions in which the nature of the business conducted by it makes such qualification necessary, except where failure so to qualify would not be reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect, and (d) is in compliance in all material respects with all Requirements of Law.

(b) Financial Condition. Each Seller has heretofore furnished to Buyer a copy of the related audited consolidated balance sheets of such Seller and Guarantor and the audited consolidated balance sheets of each of their consolidated Subsidiaries, each as at December 31, 2016 with the opinion thereon of Deloitte & Touche LLP, a copy of which has been provided to Buyer. Each Seller has also heretofore furnished to Buyer the related consolidated statements of income and retained earnings and of cash flows for such Seller and Guarantor and each of their Subsidiaries for the one year period ending December 31, 2016, setting forth in comparative form the figures for the previous year. All such financial statements are complete and correct in all material respects and fairly present the consolidated financial condition of such Seller or

Guarantor and its Subsidiaries and the consolidated results of their operations for the fiscal year ended on said date, all in accordance with GAAP applied on a consistent basis. Since December 31, 2016, there has been no development or event nor is any Seller or Guarantor aware of any state of facts which has had or should reasonably be expected to have a Material Adverse Effect. No Seller or Guarantor has any material contingent liability or liability for taxes or any long term lease or unusual forward or long term commitment, which is not reflected in the foregoing statements or notes. Since the date of the financial statements and other information delivered to Buyer prior to the date of this Agreement, Sellers and Guarantor have not sold, transferred or otherwise disposed of any material part of any of their respective property or assets (except pursuant to the Program Documents) or acquired any property or assets that are material in relation to the financial condition of any Seller or Guarantor, as applicable.

(c) Litigation. There are no actions, suits, arbitrations, investigations or proceedings pending or, to its knowledge, threatened against any Seller or Guarantor or any Trust subject to a Purchased Certificate or affecting any of the property thereof before any Governmental Authority, (i) as to which individually or in the aggregate there is a reasonable likelihood of an adverse decision which would be reasonably likely to have a Material Adverse Effect, (ii) which questions the validity or enforceability of any of the Program Documents or any action to be taken in connection with the transactions contemplated thereby or (iii) which seeks to prevent the consummation of any Transaction.

(d) No Breach; Compliance with Law; No Default. Neither (a) the execution, delivery and performance of the Program Documents, nor (b) the consummation of the transactions therein contemplated in compliance with the terms and provisions thereof will conflict with or result in a material breach of the charter or by-laws of any Seller or Guarantor, or any applicable law, rule or regulation, or any order, writ, injunction or decree of any Governmental Authority, or other material agreement or instrument to which any Seller or Guarantor or any of their Subsidiaries is a party or by which any of them or any of their property is bound or to which any of them or their property is subject, or constitute a default under any such material agreement or instrument, or (except for the Liens created pursuant to this Agreement) result in the creation or imposition of any Lien upon any property of any Seller, Guarantor or any of their Subsidiaries, pursuant to the terms of any such agreement or instrument.

(e) Action. Each Seller has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under each of the Program Documents to which it is a party; the execution, delivery and performance by such Seller of each of the Program Documents to which it is a party has been duly authorized by all necessary corporate or other action on its part; and each Program Document has been duly and validly executed and delivered by such Seller and constitutes a legal, valid and binding obligation of Seller, enforceable against such Seller in accordance with its terms, except that (A) the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (B) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(f) Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority, or any other Person, are necessary for the execution, delivery or performance by each Seller of the Program Documents to which it is a party or for the legality, validity or enforceability thereof, except for filings and recordings in respect of the Liens created pursuant to this Agreement.

(g) Taxes. Each Seller has filed all Federal income tax returns and all other tax returns that are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by it, except for any such taxes, if any, that are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided. The charges, accruals and reserves on the books of each Seller in respect of taxes and other governmental charges are, in the opinion of such Seller, adequate. Any taxes, fees and other governmental charges payable by a Seller in connection with a Transaction and the execution and delivery of the Program Documents have been or will timely be paid.

(h) Investment Company Act. No Seller is an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Each Seller (i) has been structured so as not to constitute, and is not, a "covered fund" for purposes of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule"), and (ii) is relying upon an exception or exemption from the registration requirements of the Investment Company Act set forth in Section 3(c)(5)(C) of the Investment Company Act.

(i) Reserved.

(j) Reserved.

(k) Collateral; Collateral Security.

(i) Immediately prior to the sale of any Loan or Certificate by a Seller, such Seller was the sole owner of such Loan or Certificate and had good title thereto, free and clear of all Liens, and no Person other than the related Seller has any interest in any Purchased Asset. The related Seller has full right to transfer and assign the Loans or Certificates, as applicable, to Buyer free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest, and following the sale of each Purchased Asset, Buyer will own such Purchased Asset free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest except any such security interest created pursuant to the terms of this Agreement.

(ii) With respect to each Loan, the related Seller, and with respect to each Certificate, the applicable Trust, is the sole owner and holder of each Loan and has good title thereto, free and clear of all Liens, and no Person other than the related Seller or Trust, as applicable, has an interest in any Loan.

(iii) The provisions of this Agreement are effective to create in favor of Buyer a valid security interest in all right, title and interest of Sellers in, to and under the Purchased Items.

(iv) Upon delivery of each Purchased Loan to the Custodian, Buyer shall have a fully perfected first priority security interest therein.

(v) Upon receipt by Buyer of each Certificate in the name of Buyer, Buyer shall have a fully perfected first priority security interest therein.

(vi) Upon the filing of financing statements on Form UCC-1 naming Buyer as "Secured Party" and Sellers as "Debtors", and describing the Purchased Items, in the jurisdictions and recording offices listed on Schedule 2 attached hereto, the security interests granted hereunder in the Purchased Items will constitute fully perfected first priority security interests under the Uniform Commercial Code in all right, title and interest of the related Seller in, to and under such Purchased Items, which can be perfected by filing under the Uniform Commercial Code.

(l) Principal Place of Business; Chief Operating Office. The Sutherland Loan Seller's principal place of business on the Effective Date is located at 1140 Avenue of Americas, 7th Floor, New York, NY 10036. The ReadyCap Loan Seller's principal place of business on the Effective Date is located at 1320 Greenway Dr. #560, Irving, Texas 75038. The Certificate Seller's principal place of business on the Effective Date is located at 1140 Avenue of Americas, 7th Floor, New York, NY 10036.

(m) Location of Books and Records. The location where each Seller keeps its books and records including all computer tapes and records relating to the Purchased Items is its chief executive office or chief operating office or the offices of Custodian.

(n) True and Complete Disclosure. The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of Sellers and Guarantor to Buyer in connection with the negotiation, preparation or delivery of this Agreement and the other Program Documents or included herein or therein or delivered pursuant hereto or thereto, when taken as a whole, do not contain any untrue statement of material fact. All written information furnished after the date hereof by or on behalf of Sellers, Guarantor and any of their Subsidiaries to Buyer in connection with this Agreement and the other Program Documents and the transactions contemplated hereby and thereby will be true and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to a Responsible Officer that, after due inquiry, could reasonably be expected to have a Material Adverse Effect that has not been disclosed herein, in the other Program Documents or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to Buyer for use in connection with the transactions contemplated hereby or thereby.

(o) Reserved.

(p) ERISA. Each Plan which is not a Multiemployer Plan, and, to the knowledge of Sellers, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or State law. No event or condition has occurred and is continuing as to which any Seller would be under an obligation to furnish a report to Buyer under Section

13(a)(xi) hereof. The present value of all accumulated benefit obligations under each Plan subject to Title IV of ERISA (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such Plans. Each Seller and its Subsidiaries do not provide any material medical or health benefits to former employees other than as required by the Consolidated Omnibus Budget Reconciliation Act, as amended, or similar state or local law at no cost to the employer (collectively, "COBRA").

(q) Reserved.

(r) Filing Jurisdictions. Schedule 2 sets forth all of the jurisdictions and filing offices in which a financing statement should be filed in order for Buyer to perfect its security interest in the Purchased Items that can be perfected by filing.

(s) No Burdensome Restrictions. No Requirement of Law or Contractual Obligation of any Seller or Guarantor or any of their Subsidiaries has a Material Adverse Effect.

(t) Subsidiaries; Indebtedness. Certificate Seller has no subsidiaries other than Trusts. Each of the Loan Sellers' subsidiaries are set forth on Exhibit B-2. No Seller has any Indebtedness other than the Indebtedness created pursuant to this Agreement or as set forth on Exhibit B-1.

(u) Loan Level Representations and Warranties; Acquisition of Loans. Each Purchased Certificate complies with the representations and warranties listed in Schedule 1-A hereto. Each Business Purpose Loan and ReadyCap Origination Loan, as applicable, complies with the representations and warranties listed in Schedule 1-B hereto. Each Residential Loan complies with the representations and warranties listed in Schedule 1-C hereto. Each Loan is an Eligible Loan.

(v) Reserved.

(w) Sellers Solvent; Fraudulent Conveyance. As of the date hereof and immediately after giving effect to each Transaction, the fair value of the assets of each Seller is greater than the fair value of the liabilities (including, without limitation, contingent liabilities if and to the extent required to be recorded as a liability on the financial statements of such Seller in accordance with GAAP) of such Seller and such Seller is and will be solvent, is and will be able to pay its debts as they mature and does not and will not have an unreasonably small capital to engage in the business in which it is engaged and proposes to engage. No Seller intends to incur, and does not believe that it has incurred, debts beyond its ability to pay such debts as they mature. No Seller is contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of such Seller or any of its assets. No Seller is transferring any Loans or Certificates with any intent to hinder, delay or defraud any of its creditors.

(x) Reserved.

(y) No Broker. No Seller has dealt with any broker, investment banker, agent, or other person, except for Buyer, who may be entitled to any commission or compensation in connection with the sale of Loans and Certificates pursuant to this Agreement; provided, that if any Seller has dealt with any broker, investment banker, agent, or other person, except for Buyer, who may be entitled to any commission or compensation in connection with the sale of Loans or Certificates pursuant to this Agreement, such commission or compensation shall have been paid in full by such Seller.

(z) Reserved.

(aa) Reserved.

(bb) USA Patriot Act; OFAC. None of Sellers, Guarantor, or any of their Affiliates is a Prohibited Person and Sellers and Guarantor are in full compliance with all applicable orders, rules, regulations and recommendations of OFAC. None of Sellers, Guarantor, or any of their members, directors, executive officers, parents or Subsidiaries: (1) is subject to U.S. or multilateral economic or trade sanctions currently in force; (2) is owned or controlled by, or act on behalf of, any governments, corporations, entities or individuals that are subject to U.S. or multilateral economic or trade sanctions currently in force; (3) is a Prohibited Person or is otherwise named, identified or described on any blocked persons list, designated nationals list, denied persons list, entity list, debarred party list, unverified list, sanctions list or other list of individuals or entities with whom U.S. persons may not conduct business, including but not limited to lists published or maintained by OFAC, lists published or maintained by the U.S. Department of Commerce, and lists published or maintained by the U.S. Department of State. Sellers and Guarantor have each established an anti-money laundering compliance program as required by all applicable anti-money laundering laws and regulations, including without limitation the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the "USA Patriot Act") (collectively, the "Anti-Money Laundering Laws").

(cc) Anti-Money Laundering. Sellers and Guarantor have complied with all applicable Anti- Money Laundering Laws, have conducted the requisite due diligence in connection with the acquisition of each Loan for purposes of the Anti-Money Laundering Laws, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws; no Loan is subject to nullification pursuant to Executive Order 13224 (the "Executive Order") or the regulations promulgated by the OFAC (the "OFAC Regulations") or in violation of the Executive Order or the OFAC Regulations, and no Mortgagor is subject to the provisions of such Executive Order or the OFAC Regulations nor listed as a "blocked person" for purposes of the OFAC Regulations.

(dd) Financial Reporting. There has been no fraud that involves management or other employees who have a significant role in, the internal controls of any Seller or Guarantor over financial reporting, in each case as described in the Securities Exchange Act of 1934, as amended.

(ee) Non-Exempt Person. No Seller is a Non-Exempt Person.

(ff) Anti-Money Laundering/International Trade Law Compliance. As of the date of this Agreement, and at all times until this Agreement has been terminated and all Obligations hereunder have been paid in full: (A) no Covered Entity (1) is a Sanctioned Person; (2) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law applicable to it; (3) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law applicable to it; or (4) engages in any dealings or transactions prohibited by any Anti-Terrorism Law applicable to it; (B) the proceeds of any Program Document will not be used by any Covered Entity to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Country or Sanctioned Person in violation of any law applicable to it; (C) the funds used to pay the Servicer or Buyer are not derived by any Seller or any affiliate from any unlawful activity; and (D) each Covered Entity is in compliance with, and no Covered Entity engages in, and to the best of each Seller's knowledge, no director, officer, agent, employee, affiliate or other person acting on behalf of Sutherland Asset Management Corporation or its subsidiaries engages in, any dealings or transactions prohibited by any Anti-Terrorism Laws applicable to it. Each Seller covenants and agrees that it shall immediately notify Buyer in writing upon the occurrence of a Reportable Compliance Event.

13. **COVENANTS OF SELLER**

Each Seller covenants and agrees with Buyer that during the term of this Agreement:

(a) Financial Statements and Other Information; Financial Covenants.

Sellers shall deliver or cause to be delivered to Buyer:

(i) As soon as available and in any event within 45 days after the end of each calendar month, the consolidated balance sheets of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such month, the related unaudited consolidated statements of income and retained earnings and of cash flows for Sellers and Guarantor and their consolidated Subsidiaries for such period and the portion of the fiscal year through the end of such period, and consolidated statements of liquidity of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such period, setting forth in each case in comparative form the figures for the previous year, accompanied by a certificate of a Responsible Officer of Guarantor, which certificate shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of Guarantor and its Subsidiaries in accordance with GAAP, consistently applied, as at the end of, and for, such month (subject to normal year-end audit adjustments);

(ii) As soon as available and in any event within 45 days after the end of each of the first three quarterly fiscal periods of each fiscal year of Sellers and Guarantor, the consolidated balance sheets of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such period and the related unaudited consolidated statements of income

and retained earnings and of cash flows for Sellers and Guarantor and their consolidated Subsidiaries for such period and the portion of the fiscal year through the end of such period, and consolidated statements of liquidity of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such period, setting forth in each case in comparative form the figures for the previous year, accompanied by a certificate of a Responsible Officer of Guarantor, which certificate shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of Guarantor and its Subsidiaries in accordance with GAAP, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments);

(iii) As soon as available and in any event within 90 days after the end of each fiscal year of Guarantor, the consolidated balance sheets of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for each Seller and Guarantor and their consolidated Subsidiaries for such year, and consolidated statements of liquidity of Sellers and Guarantor and their consolidated Subsidiaries as at the end of such year, setting forth in each case in comparative form the figures for the previous year, accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall not be qualified as to scope of audit or going concern and shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of Sellers and Guarantor and their consolidated Subsidiaries at the end of, and for, such fiscal year in accordance with GAAP;

(iv) Together with each set of the financial statements delivered pursuant to clauses (i) through (iii) above, (1) a Compliance Certificate signed of a Responsible Officer of the Guarantor, and (2) a certificate of a Responsible Officer of Guarantor to the effect that, to the best of such Responsible Officer's knowledge, each Seller and Guarantor during such fiscal period or year has observed or performed all of its covenants and other agreements, and satisfied every material condition, contained in this Agreement and the other Program Documents to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate (and, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action such Seller or Guarantor, as applicable, has taken or proposes to take with respect thereto);

(v) Reserved;

(vi) From time to time such other information regarding the financial condition, operations, assets (including information regarding asset allocation, leverage, and liquidity) and such other information respecting the condition or operations (financial or otherwise), of Sellers or Guarantor as Buyer may reasonably request, within five (5) Business Days of such request;

(vii) Within eight (8) days after the end of each month, (i) a report of all sales, repurchase and other transactions with respect to the Loans or any Loans owned by a Trust represented by a Purchased Certificate, (ii) a properly completed Loan Schedule with respect to each Purchased Loan and each Loan owned by a Trust represented by a Purchased Certificate, (iii) servicing reports for the prior month, including static pool analyses, liquidity (cash and availability) and identification of any modifications to any Purchased Loans and Loans owned by a Trust represented by a Purchased Certificate, (iv) servicing data feeds for the prior month detailing Loan level attributes; and (v) reports reflecting those Purchased Loans and Loans owned by a Trust represented by a Purchased Certificate that are expected to become real estate owned properties within sixty (60) days;

(viii) At least five (5) Business Days prior to the effectiveness of any proposed amendment, modification or supplement to the any Trust Document, a copy of such amendment, modification or supplement;

(ix) As soon as reasonably possible, and in any event within fifteen (15) days after a Responsible Officer knows or has reason to believe, that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a senior financial officer of the related Seller setting forth details respecting such event or condition and the action, if any, that such Seller or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the related Seller or an ERISA Affiliate with respect to such event or condition):

(A) any Reportable Event, or any request for a waiver under Section 412(c) of the Code for any Plan;

(B) the distribution under Section 4041(c) of ERISA of a notice of intent to terminate any Plan or any action taken by any Seller, Guarantor or an ERISA Affiliate to terminate any Plan;

(C) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by a Seller, Guarantor or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(D) the complete or partial withdrawal from a Multiemployer Plan by a Seller or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by a Seller or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(E) the institution of a proceeding by a fiduciary of any Multiemployer Plan against a Seller or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days; and

(F) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code, would result in the loss of tax-exempt status of the trust of which such Plan is a part if a Seller or an ERISA Affiliate fails to timely provide security to such Plan in accordance with the provisions of said Sections.

(b) Reserved.

(c) Existence, Etc. Each Seller will:

(i) (A) preserve and maintain its legal existence and all of its material rights, privileges, franchises; (B) maintain all licenses, permits or other approvals necessary to conduct its business and to perform its obligations under the Program Documents; (C) except as would not be reasonably likely to have a Material Adverse Effect or would have a material adverse effect on the Purchased Items or Buyer's interest therein, remain in good standing under the laws of each state in which it is required to conducts its business; and (D) not change its tax identification number, fiscal year or method of accounting without the consent of Buyer;

(ii) comply with the requirements of and conduct its business strictly in accordance with all applicable laws, rules, regulations and orders of Governmental Authorities (including, without limitation, truth in lending, real estate settlement procedures and all Environmental Laws) if failure to comply with such requirements would be reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect;

(iii) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied;

(iv) not move its chief executive office or chief operating office from the addresses referred to in Section 12(m) unless it shall have provided Buyer 30 days prior written notice of such change;

(v) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained;

(vi) permit representatives of Buyer, during normal business hours upon three (3) Business Days' prior written notice at a mutually desirable time or at any time during the continuance of an Event of Default, to examine, copy and make extracts from its books and records, to inspect any of its

Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by Buyer; and

(vii) not directly or indirectly enter into any agreement that would be violated or breached by any Transaction or the performance by any Seller of its obligations under any Program Documents.

(d) Prohibition of Fundamental Changes. No Seller shall at any time, directly or indirectly, (i) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation, winding up or dissolution) or sell all or substantially all of its assets without Buyer's prior consent; or (ii) form or enter into any partnership, joint venture, syndicate or other combination which would have a Material Adverse Effect with respect to any Seller.

(e) Margin Deficit. If at any time there exists a Margin Deficit, Sellers shall cure the same in accordance with Section 6 hereof.

(f) Notices. Sellers shall give notice to Buyer promptly in writing of any of the following:

(i) upon a Seller becoming aware of, and in any event within one (1) Business Day after the occurrence of any Default, Event of Default or any event of default or default under any Program Document or other material agreement of any Seller;

(ii) upon, and in any event within three (3) Business Days after, service of process on a Seller, or any agent thereof for service of process, in respect of any legal or arbitrable proceedings affecting a Seller that (i) questions or challenges the validity or enforceability of any of the Program Documents, (ii) in which the amount in controversy exceeds $1,000,000, (iii) as to which there is a reasonable likelihood that an adverse determination would result in a Material Adverse Effect or (iv) seeks to prevent the consummation of any Transaction;

(iii) upon a Seller becoming aware of any default related to any Purchased Items, any Material Adverse Effect and any event or change in circumstances which should reasonably be expected to have a Material Adverse Effect;

(iv) upon a Seller determining during the normal course of its business that the Mortgaged Property in respect of any Purchased Loan or Loans owned by a Trust represented by a Purchased Certificate with an aggregate unpaid principal balance of at least $1,000,000 has been damaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty, or otherwise damaged so as to materially and adversely affect the Market Value of such Loan;

(v) upon the entry of a judgment or decree against any Seller or any of their Subsidiaries in an amount in excess of $1,000,000;

(vi) any material change in the insurance coverage required of a Seller or any other Person pursuant to any Program Document, with copy of evidence of same attached;

(vii) any material dispute, licensing issue, litigation, audit, revocation, sanctions, penalties, investigation, proceeding or suspension between any Seller or Guarantor, on the one hand, and any Governmental Authority or any other Person;

(viii) any material change in accounting policies or financial reporting practices of any Seller or Guarantor; and

(ix) any material change in the management of any Seller or Guarantor.

Each notice pursuant to this Section 13(f) shall be accompanied by a statement of a Responsible Officer of the related Seller, setting forth details of the occurrence referred to therein and stating what action the related Seller has taken or proposes to take with respect thereto.

(g) Servicing. Except as provided in Section 43, Sellers shall not permit any Person other than Servicer to service Loans without the prior written consent of Buyer.

(h) OFAC. At all times throughout the term of this Agreement, Sellers and Guarantor (a) shall be in full compliance with all applicable orders, rules, regulations and recommendations of OFAC and (b) shall not permit any Loans to be maintained, insured, traded, or used (directly or indirectly) in violation of any United States statutes, rules or regulations, in a Prohibited Jurisdiction or by a Prohibited Person.

(i) Reserved.

(j) Transactions with Affiliates. If a Default or an Event of Default has occurred, no Seller shall (1) enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is (i) otherwise permitted under this Agreement, (ii) in the ordinary course of such Seller's business and (iii) upon fair and reasonable terms no less favorable to such Seller than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate or (2) make a payment that is not otherwise permitted by this Section (j) to any Affiliate.

(k) Defense of Title. Each Seller warrants and will defend the right, title and interest of Buyer in and to all Purchased Items against all adverse claims and demands of all Persons whomsoever.

(l) Preservation of Purchased Items. Sellers shall do all things necessary to preserve the Purchased Items so that such Purchased Items remain subject to a first priority perfected security interest hereunder. Without limiting the foregoing, Sellers will comply with all applicable laws, rules and regulations of any Governmental Authority applicable to Sellers or

relating to the Purchased Items and cause the Purchased Items to comply with all applicable laws, rules and regulations of any such Governmental Authority. No Seller will allow any default to occur for which such Seller is responsible under any Purchased Items or any Program Documents and Sellers shall fully perform or cause to be performed when due all of its obligations under any Purchased Items or the Program Documents.

(m) No Assignment. Sellers shall not (i) sell, assign, transfer or otherwise dispose of, or grant any option with respect to, or pledge, hypothecate or grant a security interest in or lien on or otherwise encumber (except pursuant to the Program Documents), any of the Purchased Assets or the related Loans subject to any Purchased Certificate, or (ii) enter into any agreement or undertaking restricting the right or ability of the Sellers or Buyer to sell, assign or transfer any of the Purchased Assets or the related Loans subject to any Purchased Certificate.

(n) Limitation on Sale of Assets. Except in connection with the Program Documents or any transaction, the proceeds of which will be used to pay the Obligations hereunder, no Seller shall convey, sell, lease, assign, transfer or otherwise dispose of (collectively, "Transfer"), substantially all of its Property, business or assets (including, without limitation, receivables and leasehold interests) whether now owned or hereafter acquired or allow any Subsidiary to Transfer substantially all of its assets to any Person.

(o) Limitation on Distributions. If a Default or an Event of Default has occurred, no Seller shall without Buyer's consent (i) make any payment on account of, or set apart assets for a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of, any stock or senior or subordinate debt of such Seller, whether now or hereafter outstanding, or (ii) make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of such Seller.

(p) Financial Covenants. Each Seller shall comply with the Financial Covenants at all times.

(q) Amendment of Program Documents. Sellers shall not permit any amendment or modification to the Program Documents or any Trust Documents without the consent of Buyer.

(r) Power of Attorney. Sellers shall, from time to time at the request of Buyer, deliver to Buyer any powers of attorney or other documentation required by Buyer to ensure the enforceability under applicable law of any rights and/or powers granted to Buyer in Section 8 of this Agreement.

(s) Reserved.

(t) Servicing Transmission; Servicer Instruction Letter. Sellers shall cause each Servicer to comply with the related Servicer Instruction Letter, including providing reporting to Buyer in accordance with the terms thereof.

(u) Amendment or Compromise. In the event that Servicer amends, modifies or waives any term or condition of, or settles or compromises any claim in respect of the Loans that has the effect of extending the scheduled maturity date, changing any scheduled monthly payment, changing any guarantor terms, releasing any guarantor, forgiving any principal or

modifying the interest rate of any item of the Loans, any such amendment, modification, waiver, settlement, compromise, extension, cancellation or discharge shall be flagged to Buyer on the Transaction Notice. Sellers shall promptly provide or shall cause to be provided to Buyer, any information requested by Buyer with respect to any action taken pursuant to this paragraph.

(v) Maintenance of Property; Insurance. Each Seller shall keep all property useful and necessary in its business in good working order and condition. Sellers or Guarantor shall maintain, for Sellers, errors and omissions insurance and/or mortgage impairment insurance and blanket bond coverage in such amounts as are in effect on the Effective Date and shall notify Buyer of any material change in the terms of such insurance, and shall also maintain such other insurance with financially sound and reputable insurance companies, and with respect to property and risks of a character usually maintained by entities engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such entities.

(w) Further Identification of Purchased Items. Sellers will furnish to Buyer from time to time statements and schedules further identifying and describing the Purchased Items and such other reports in connection with the Purchased Items as Buyer may reasonably request, all in reasonable detail.

(x) Loans Determined to be Defective. Upon discovery by a Seller of any breach of any representation and warranty listed on Schedule 1-A hereto with respect to any Purchased Certificate, Schedule 1-B hereto with respect to any Business Purpose Loan and any ReadyCap Origination Loan, as applicable, or Schedule 1-C hereto with respect to any Residential Loan, Sellers shall promptly give notice of such discovery to Buyer.

(y) Reserved.

(z) Maintenance of Papers, Records and Files.

(i) For so long as Buyer has an interest in any Loan, Sellers will hold or cause to be held all related Records in its possession in trust for Buyer. Sellers shall notify, or cause to be notified, every other party holding any such Records of the interests and liens granted hereby.

(ii) Upon reasonable advance notice from Custodian or Buyer, Sellers shall (x) make any and all such Records available to Custodian or Buyer to examine any such Records, either by its own officers or employees, or by agents or contractors, or both, and make copies of all or any portion thereof, (y) permit Buyer or its authorized agents to discuss the affairs, finances and accounts of Sellers with their respective chief operating officer and chief financial officer and to discuss the affairs, finances and accounts of Sellers with their independent certified public accountants.

(aa) Reserved.

(bb) Taxes, Etc. Each Seller shall pay and discharge or cause to be paid and discharged, when due, all taxes, assessments and governmental charges or levies imposed upon

such Seller or upon its income and profits or upon any of its property, real, personal or mixed (including without limitation, the Loans) or upon any part thereof, as well as any other lawful claims which in each case, if unpaid, might become a Lien upon such properties or any part thereof, except for any such taxes, assessments and governmental charges, levies or claims as are appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are provided. Each Seller shall file on a timely basis all federal, state and local tax and information returns, reports and any other information statements or schedules required to be filed by or in respect of it.

(cc) Use of Custodian. Without the prior written consent of Buyer, Sellers shall use no third party custodian as document custodian other than Custodian with respect to the Loans.

(dd) Change of Fiscal Year. Sellers will not at any time, directly or indirectly, except upon ninety (90) days' prior written notice to Buyer, change the date on which any Seller's fiscal year begins from Seller's current fiscal year beginning date.

(ee) Delivery of Servicing Rights and Servicing Records. With respect to the Servicing Rights appurtenant to each Loan, the Buyer or the related Trust represented by a Purchased Certificate, as applicable, shall own such Servicing Rights on the related Purchase Date, and shall hold such Servicing Rights for the benefit of the related owners of such Loans, and in connection with any sale or transfer of any Loan, the related Servicing Rights shall be transferred with the related Loan and remain appurtenant thereto, without any requirement on the owner of such Loan to pay or incur any fees or obligations to the Servicer or any other Person. In addition, such Servicing Rights shall include the gross amount of all escrows held for the related mortgagors (without reduction for unreimbursed advances or "negative escrows"). No Loans shall at any time be subject to any servicing advance or servicing rights financing facility or similar agreement or facility and the servicing advances made with respect to any Loans have not been sold, assigned, transferred, pledged or hypothecated to any party or otherwise encumbered in any way. The Servicing Rights to each Loan shall be owned by Buyer or the related Trust and cannot be sold, assigned, transferred, pledged or hypothecated or otherwise encumbered in any way by Servicer.

(ff) Establishment of Collection Account. Prior to the initial Purchase Date, Sellers shall establish or cause to be established the Collection Account for the sole and exclusive benefit of Buyer, and shall cause all Income on (a) the Purchased Certificates to be remitted by the Paying Agent to the Collection Account on each monthly Remittance Date, and (b) the Purchased Loans to be remitted to the Collection Account by the Servicer on each monthly Remittance Date. Sellers shall ensure that no Income is remitted to Sellers and that all Income is remitted directly by the Paying Agent or Servicer, as applicable, to the Collection Account.

(gg) Trust Account. With respect to the Purchased Certificates, Sellers shall ensure that, except (i) as required for deposit into the Collection Account in accordance with this paragraph or (ii) otherwise in accordance with the Trust Documents, no amounts deposited into the Trust Account shall be removed without Buyer's prior written consent. Sellers shall and shall cause the Trust to follow the instructions of Buyer with respect to the Loans and deliver to Buyer any information with respect to the Loans reasonably requested by Buyer.

(hh) Reserved.

(ii) BPO. The related Seller shall deliver to Buyer with respect to each Mortgaged Property related to a Loan, (i) with respect to the initial Purchase Date related to a Loan that is (a) not a Delinquent Loan, a BPO obtained by such Seller not more than 360 days prior to the initial Purchase Date or (b) a Delinquent Loan, a BPO obtained by such Seller not more than 150 days prior to the initial Purchase Date, and (ii) thereafter for so long as such Loan is subject to a Transaction hereunder, an updated BPO every 360 days, or less frequently as otherwise requested by Buyer.

(jj) Obligations Under Certificate Seller Loan Purchase Agreements. With respect to any loan purchase or sale agreement between Certificate Seller and any third party providing for the sale and transfer of any Loans, Certificate Seller shall ensure that the related Trust does not incur any obligations to any such third party other than the physical delivery of the related Loans (subject to the terms hereof), including without limitation any repurchase, reimbursement or indemnity obligations.

(kk) Acquisition of Repurchase or Indemnity Obligations. Certificate Seller shall ensure that the related Trust does not acquire any loan level repurchase or indemnity obligations from any third party in connection with its purchase of any mortgage loan pool.

14. REPURCHASE DATE PAYMENTS

On each Repurchase Date, Sellers shall remit or shall cause to be remitted to Buyer the Repurchase Price together with any other Obligations then due and payable.

15. REMOVAL AND RELEASE OF LOANS

Upon discovery by a Seller of a breach of any of the representations and warranties set forth on Schedule 1-B and 1-C to this Agreement, such Seller shall give prompt written notice thereof to Buyer. It is understood and agreed that the representations and warranties set forth in Schedule 1-B and 1-C with respect to the Loans shall survive delivery of the respective Mortgage Asset Files to Custodian and shall inure to the benefit of Buyer. The fact that Buyer has conducted or has failed to conduct any partial or complete due diligence investigation with respect to any Loan shall not affect Buyer's right to demand the removal of such Loan from the related Trust and repayment of the Repurchase Price allocable to such Loan as provided under this Agreement or the repurchase of any Purchased Loan. Sellers shall, upon the earlier of a Seller's discovery or a Seller receiving notice with respect to any Loan of (i) any breach of a representation or warranty contained in Schedule 1-B with respect to any Business Purpose Loan or any ReadyCap Origination Loan, as applicable, or Schedule 1-C with respect to any Residential Loan, or (ii) any failure to deliver any of the items required to be delivered as part of the Mortgage Asset File within the time period required for delivery pursuant to the applicable Custodial Agreement, promptly cure such breach or delivery failure in all material respects. If on the Business Day after the earlier of a Seller's discovery of such breach or delivery failure or a Seller receiving notice thereof that such breach or delivery failure has not been remedied by such Seller and such breach or delivery failure would cause Buyer to require the repurchase of such Purchased Loan or the payment of the Repurchase Price allocable to such Loan if such

Loan is owned by a Trust represented by a Purchased Certificate, such Seller shall promptly upon receipt of written instructions from Buyer pay to Buyer the outstanding Repurchase Price and other outstanding Obligations allocable to such Loan by wire transfer to the account designated by Buyer, and upon receipt of such amount, subject to the terms of Section 10, Buyer shall either consent to the removal of such Loan from the related Trust, or release its security interest in such Loan. Certificate Seller shall promptly cause the removal of any Loan from the related Trust if requested by Buyer based upon Buyer's determination that a breach of a representation and warranty could subject the related Trust to liability, which determination and request for removal shall be made in Buyer's commercially reasonable discretion.

16. **RESERVED**

17. **ACCELERATION OF REPURCHASE DATE**

Buyer may, in its sole discretion, at any time, terminate any Transactions with respect to the Uncommitted Amount by providing written notice to Sellers. Within 30 days of receipt of such notice, Sellers agree to repurchase any Purchased Assets subject to the Uncommitted Amount at the Repurchase Price and to satisfy all of its Obligations with respect to any such Purchased Assets.

18. **EVENTS OF DEFAULT**

Each of the following events shall constitute an Event of Default (an "Event of Default") hereunder:

(a) A Loan Seller fails to transfer the Purchased Loans on the applicable Purchase Date, Certificate Seller fails to transfer a Purchased Certificate to Buyer on the applicable Purchase Date or Certificate Seller fails to cause the related Loans to be owned by the Trust represented by a Purchased Certificate (provided in each case that Buyer has tendered the related Purchase Price for the Loans or Certificate); or

(b) A Seller fails to repurchase the Purchased Assets on the applicable Repurchase Date or fails to perform its obligations under Section 6 or any default shall occur under the Guaranty; or

(c) A Seller shall default in the payment of any other amount payable by them hereunder or under any other Program Document after notification by Buyer of such default, and such default shall have continued unremedied for three (3) Business Days; or

(d) Any representation, warranty or certification made or deemed made herein or in any other Program Document by any Seller or Guarantor or any certificate furnished to Buyer pursuant to the provisions thereof, shall prove to have been false or misleading in any material respect as of the time made or furnished (other than the representations and warranties set forth in Schedule 1 which shall be considered solely for the purpose of determining the Market Value of the Loans; unless (i) such Seller shall have made any such representations and warranties with knowledge that they were materially false or misleading at the time made or (ii) any such representations and warranties have been determined by Buyer in its sole discretion to be materially false or misleading on a regular basis); or

(e) A Seller shall fail to comply with the requirements of Section 13(c)(i)(A), Section 13(d), Section 13(f)(i), Section 13(m), Section 13(n), Section 13(o), Section 13(p) or Section 13(jj) hereof, and such default shall continue unremedied for a period of one (1) Business Day; or a Seller or Guarantor shall otherwise fail to observe or perform any other obligation, representation or covenant contained in this Agreement or any other Program Document and such failure to observe or perform shall continue unremedied for a period of ten (10) Business Days; or

(f) Any final judgment or judgments or order or orders for the payment of money in excess of $2,000,000 in the aggregate (to the extent that it is, in the reasonable determination of Buyer, uninsured and provided that any insurance or other credit posted in connection with an appeal shall not be deemed insurance for these purposes) shall be rendered against a Seller, or any final judgment or judgments or orders for the payment of money in excess of $10,000,000 in the aggregate (to the extent that it is, in the reasonable determination of Buyer, uninsured and provided that any insurance or other credit posted in connection with an appeal shall not be deemed insurance for these purposes) shall be rendered against Guarantor by one or more courts, administrative tribunals or other bodies having jurisdiction over it and the same shall not be discharged (or provisions shall not be made for such discharge) or bonded, or a stay of execution thereof shall not be procured, within sixty (60) days from the date of entry thereof and such Seller or Guarantor shall not, within said period of sixty (60) days, or such longer period during which execution of the same shall have been stayed or bonded, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(g) Any Loan subject to a Purchased Certificate is removed from the related Trust other than in accordance with Section 10; or

(h) Any Seller, Guarantor or any of their Affiliates files a voluntary petition in bankruptcy, seeks relief under any provision of any bankruptcy, reorganization, moratorium, delinquency, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction whether now or subsequently in effect; or consents to the filing of any petition against it under any such law; or consents to the appointment of or taking possession by a custodian, receiver, conservator, trustee, liquidator, sequestrator or similar official for any Seller, Guarantor or any of their Affiliates, or of all or any part of any Seller's, any Guarantors' or their Affiliates' Property; or makes an assignment for the benefit of any Seller's, any Guarantor's or their Affiliates' creditors; or

(i) A custodian, receiver, conservator, liquidator, trustee, sequestrator or similar official for any Seller, Guarantor or any of their Affiliates, or of any Seller's, Guarantor's or any of their Affiliates' respective Property (as a debtor or creditor protection procedure), is appointed or takes possession of such Property; or any Seller, any Guarantor or any of their Affiliates generally fails to pay such Seller's, such Guarantor's or any of their Affiliates' debts as they become due; or any Seller, any Guarantor or any of their Affiliates is adjudicated bankrupt or insolvent; or an order for relief is entered under the Federal Bankruptcy Code, or any successor or similar applicable statute, or any administrative insolvency scheme, against any Seller, any Guarantor or any of their Affiliates; or any of a Seller's, any Guarantor's or their Affiliates' Property is sequestered by court or administrative order; or a petition is filed against a Seller, Guarantor, or any of their Affiliates under any bankruptcy, reorganization, arrangement,

insolvency, readjustment of debt, dissolution, moratorium, delinquency or liquidation law of any jurisdiction, whether now or subsequently in effect; or

(j) Any Governmental Authority or any person, agency or entity acting or purporting to act under governmental authority shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the Property of any Seller or Guarantor or any of their Affiliates, or shall have taken any action to displace the management of any Seller or Guarantor or any of their Affiliates or to curtail its authority in the conduct of the business of any Seller or Guarantor or any of their Affiliates, or takes any action in the nature of enforcement to remove, limit or restrict the approval of a Seller or Guarantor or any of their Affiliates as an issuer, buyer or seller/servicer of loans or securities backed thereby, and such action provided for in this subsection (j) shall not have been discontinued or stayed within thirty (30) days; or

(k) (i) Any Program Document shall for whatever reason (including an event of default thereunder) be terminated (other than as agreed upon by Buyer and Sellers), (ii) this Agreement shall for any reason cease to create a valid, first priority security interest or ownership interest upon transfer in any of the Purchased Items purported to be covered hereby or any of Sellers' material obligations (including the Obligations hereunder) shall cease to be in full force and effect, or the enforceability thereof shall be contested by any Seller; or

(l) Any Material Adverse Effect shall have occurred as determined by Buyer in its reasonable discretion; or

(m) (i) any Seller, Guarantor or any ERISA Affiliate shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) a determination that a Plan is "at risk" (within the meaning of Section 302 of ERISA) or any Lien in favor of the PBGC or a Plan shall arise on the assets of Seller, any Guarantor or any ERISA Affiliate, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of Buyer, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Plan shall terminate for purposes of Title IV of ERISA, (v) any Seller, Guarantor or any ERISA Affiliate shall, or in the reasonable opinion of Buyer is likely to, incur any liability in connection with a withdrawal from, or the insolvency or reorganization of, a Multiemployer Plan, (vi) any Seller, Guarantor or any ERISA Affiliate shall file an application for a minimum funding waiver under Section 302 of ERISA or Section 412 of the Code with respect to any Plan, (vii) any obligation for post-retirement medical costs (other than as required by COBRA) exists, or (viii) any other event or condition shall occur or exist with respect to a Plan and in each case in clauses (i) through (vii) above, such event or condition, together with all other such events or conditions, if any, is likely to subject any Seller or Guarantor or any of their Affiliates to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of any Seller or Guarantor or any of their Affiliates or could reasonably be expected to have a Material Adverse Effect; or

(n) A Change of Control shall have occurred without the prior consent of Buyer; or

(o) Any Seller shall grant, or suffer to exist, any Lien on any Purchased Items except the Liens contemplated hereby; or the Liens contemplated hereby shall cease to be first priority perfected Liens on the Purchased Items in favor of Buyer or shall be Liens in favor of any Person other than Buyer; or

(p) Guarantor or any of its Subsidiaries shall default under, or fail to perform as required under, or shall otherwise breach the terms of any warehouse agreement, credit agreement, repurchase agreement, line of credit agreement, financing agreement or any similar agreement relating to any Indebtedness between such Guarantor or such other entity, on the one hand, and Buyer or any of Buyer's Affiliates on the other; or

(q) Guarantor or any of its Subsidiaries shall default under, or fail to perform as required under, or shall otherwise breach the terms of any warehouse agreement, credit agreement, repurchase agreement, line of credit agreement, financing agreement or any similar agreement relating to any Indebtedness with an outstanding amount of at least $1,000,000, entered into by such Guarantor or such other entity, which default or failure entitles any party to cause acceleration or require prepayment of any indebtedness thereunder; or

(r) Sellers shall fail to cause all Income received on behalf of Sellers with respect to any Purchased Loans or Purchased Certificates to be deposited into the Collection Account within one (1) Business Day of the date such deposit was due pursuant to Section 13(ff); or

(s) A Seller or Guarantor shall admit in writing its inability to, or intention not to, perform any of their Obligations.

19. **REMEDIES**

Upon the occurrence of an Event of Default, Buyer, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Event of Default pursuant to Section 18(h), (i) or (j) hereof), shall have the right to exercise any or all of the following rights and remedies:

(a) (i) The Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (provided that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). Sellers' obligations hereunder to repurchase all Loans and Certificates at the Repurchase Price therefor on the Repurchase Date in such Transactions shall thereupon become immediately due and payable; all Income then on deposit in the Collection Account and all Income paid after such exercise or deemed exercise shall be remitted to and retained by Buyer and applied to the aggregate Repurchase Price and any other amounts owing by Sellers hereunder; Sellers shall immediately deliver to Buyer or its designee any and all original papers, Records and files relating to the Loans subject to such Transaction then in any Seller's possession and/or control; and all right, title and interest in and entitlement to the Loans and Certificates shall be deemed transferred to Buyer or its designee.

(ii) Buyer shall have the right to (A) sell, on or following the Business Day following the date on which the Repurchase Price became due and payable pursuant to Section 19(a)(i) without notice or demand of any kind, at a public or private sale and at

such price or prices as Buyer may deem commercially reasonable, the Loans and Certificates, or, upon Buyer's exercise of its rights as owner of the Certificates, any or all of the Loans subject to such Certificates and/or (B) in its sole discretion elect, in lieu of selling all or a portion of such Loans, to give Sellers credit for such Loans in an amount equal to the Market Value of the Loans against the aggregate unpaid Repurchase Price and any other amounts owing by Sellers hereunder, provided, however, with respect to Loans with a Market Value of zero, Buyer shall in its sole discretion either sell such Loans in accordance with clause (A) of this Section 19(a)(ii) or release such Loans to the related Seller. Sellers shall remain liable to Buyer for any amounts that remain owing to Buyer following a sale and/or credit under the preceding sentence. The proceeds of any disposition of Loans shall be applied *first* to the reasonable costs and expenses incurred by Buyer in connection with or as a result of an Event of Default; *second*, costs of cover and/or related hedging transactions; *third* to the aggregate Repurchase Prices; and *fourth* to all other Obligations.

(iii) Buyer shall have the right to terminate this Agreement and declare all obligations of Sellers to be immediately due and payable, by a notice in accordance with Section 21 hereof provided no such notice shall be required for an Event of Default pursuant to Section 18(h), (i) or (j).

(iv) The parties recognize that it may not be possible to purchase or sell all of the Loans and Certificates, or, upon the Buyer's exercise of its rights as owner of the Certificates or the related Loans subject to such Certificates on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for such Loans may not be liquid. In view of the nature of the Certificates and the Loans, the parties agree that liquidation of a Transaction or the underlying Loans does not require a public purchase or sale and that a good faith private purchase or sale shall be deemed to have been made in a commercially reasonable manner. Accordingly, Buyer may elect the time and manner of liquidating any Loans or Certificates and nothing contained herein shall obligate Buyer to liquidate any Certificates or Loans on the occurrence of an Event of Default or to liquidate all Certificates or the Loans in the same manner or on the same Business Day or constitute a waiver of any right or remedy of Buyer. Notwithstanding the foregoing, the parties to this Agreement agree that the Transactions have been entered into in consideration of and in reliance upon the fact that all Transactions hereunder constitute a single business and contractual obligation and that each Transaction has been entered into in consideration of the other Transactions.

(v) To the extent permitted by applicable law, each Seller waives all claims, damages and demands it may acquire against Buyer arising out of the exercise by Buyer of any of its rights hereunder, other than those claims, damages and demands arising from the gross negligence or willful misconduct of Buyer. If any notice of a proposed sale or other disposition of Purchased Items shall be required by law, such notice shall be deemed reasonable and proper if given at least 2 days before such sale or other disposition.

(b) Each Seller hereby acknowledges, admits and agrees that such Seller's obligations under this Agreement are recourse obligations of such Seller to which such Seller pledges its full faith and credit.

(c) Buyer shall have the right as owner of the Loans and Certificates to obtain physical possession of the Servicing Records, and all other files of Sellers relating to the Loans and all documents relating to the Loans which are then or may thereafter come into the possession of any Seller or any third party acting for a Seller and Sellers shall deliver to Buyer such assignments as Buyer shall request.

(d) Buyer shall have the right to direct all Persons servicing the Loans to take such action with respect to the Loans as Buyer determines appropriate.

(e) Buyer shall, without regard to the adequacy of the security for the Obligations, be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession of and protect, collect, manage, liquidate, and sell the Purchased Assets and any other Purchased Items or any portion thereof, collect the payments due with respect to the Purchased Assets and any other Purchased Items or any portion thereof, and do anything that Buyer is authorized hereunder or by law to do. Sellers shall pay all costs and expenses incurred by Buyer in connection with the appointment and activities of such receiver.

(f) In addition to all the rights and remedies specifically provided herein, Buyer shall have all other rights and remedies provided by applicable federal, state, foreign, and local laws, whether existing at law, in equity or by statute, including, without limitation, all rights and remedies available to a purchaser or a secured party, as applicable, under the Uniform Commercial Code.

Except as otherwise expressly provided in this Agreement, Buyer shall have the right to exercise any of its rights and/or remedies without presentment, demand, protest or further notice of any kind other than as expressly set forth herein, all of which are hereby expressly waived by Sellers.

Buyer may enforce its rights and remedies hereunder without prior judicial process or hearing, and each Seller hereby expressly waives, to the extent permitted by law, any right Sellers might otherwise have to require Buyer to enforce its rights by judicial process. Each Seller also waives, to the extent permitted by law, any defense such Seller might otherwise have to the Obligations, arising from use of nonjudicial process, enforcement and sale of all or any portion of the Purchased Assets and any other Purchased Items or from any other election of remedies. Sellers recognize that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length.

Sellers shall cause all sums received by a Seller with respect to the Purchased Assets to be deposited with such Person as Buyer may direct after receipt thereof. Sellers shall be liable to Buyer for the amount of all expenses (plus interest thereon at a rate equal to the Post-Default Rate).

20. **DELAY NOT WAIVER; REMEDIES ARE CUMULATIVE**

No failure on the part of Buyer to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Buyer of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All rights and remedies of Buyer provided for herein are cumulative and in addition to any and all other rights and remedies provided by law, the Program Documents and the other instruments and agreements contemplated hereby and thereby, and are not conditional or contingent on any attempt by Buyer to exercise any of its rights under any other related document. Buyer may exercise at any time after the occurrence of an Event of Default one or more remedies, as they so desire, and may thereafter at any time and from time to time exercise any other remedy or remedies.

21. **NOTICES AND OTHER COMMUNICATIONS**

Except as otherwise expressly permitted by this Agreement, all notices, requests and other communications provided for herein and under the applicable Custodial Agreement (including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing (including, without limitation, by telex or telecopy or Electronic Transmission) delivered to the intended recipient at the "Address for Notices" specified below its name on Exhibit H hereof); or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. Except as otherwise provided in this Agreement and except for notices given by a Seller under Section 3(b) (which shall be effective only on receipt), all such communications shall be deemed to have been duly given when transmitted (i) by Electronic Transmission or (ii) by facsimile or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

22. **USE OF EMPLOYEE PLAN ASSETS**

No assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") shall be used by either party hereto in a Transaction.

23. **INDEMNIFICATION AND EXPENSES**

(a) Sellers agree to hold Buyer, its Affiliates and each of their officers, directors, employees, agents and advisors (each an "Indemnified Party") harmless from and indemnify any Indemnified Party against all liabilities, losses, damages, judgments, costs and expenses of any kind (other than Taxes, Excluded Taxes, and Other Taxes, which are the subject of Section 3(h)(i) and Section 5) which may be imposed on, incurred by or asserted against such Indemnified Party (collectively, the "Costs") relating to or arising out of this Agreement, any other Program Document or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, any other Program Document or any transaction contemplated hereby or thereby, that, in each case, results from anything other than any Indemnified Party's gross negligence or willful misconduct. Without limiting the generality of the foregoing, Sellers agree to hold any Indemnified Party harmless from and indemnify such Indemnified Party against all Costs with

respect to all Loans relating to or arising out of any violation or alleged violation of any Environmental Law, rule or regulation or any consumer credit laws, including without limitation laws with respect to unfair or deceptive lending practices and predatory lending practices, the Truth in Lending Act and/or the Real Estate Settlement Procedures Act, that, in each case, results from anything other than such Indemnified Party's gross negligence or willful misconduct. In any suit, proceeding or action brought by an Indemnified Party in connection with any Loan for any sum owing thereunder, or to enforce any provisions of any Loan, Sellers will save, indemnify and hold such Indemnified Party harmless from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction of liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by Sellers of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from Sellers. Sellers also agree to reimburse any Indemnified Party as and when billed by such Indemnified Party for all such Indemnified Party's costs and expenses incurred in connection with the enforcement or the preservation of such Indemnified Party's rights under this Agreement, any other Program Document or any transaction contemplated hereby or thereby, including without limitation the reasonable fees and disbursements of its counsel. Sellers hereby acknowledge that the obligations of Sellers under this Agreement are recourse obligations of Sellers.

(b) Sellers agree to pay as and when billed by Buyer all of the out-of pocket costs and expenses (other than Taxes, Excluded Taxes, and Other Taxes, which are the subject of Section 3(h)(i) and Section 5) incurred by Buyer in connection with the development, preparation, negotiation, administration, enforcement and execution of, and any amendment, waiver, supplement or modification to, this Agreement, any other Program Document or any other documents prepared in connection herewith or therewith commencing on and after April 15, 2013. Sellers agree to pay as and when billed by Buyer all of the reasonable out-of-pocket costs and expenses incurred in connection with the consummation and administration of the transactions contemplated hereby and thereby including, without limitation, (i) all the reasonable and documented fees, disbursements and expenses of counsel to Buyer, and (ii) all the due diligence, inspection, testing and review (including but not limited to any loan level file review of any Loans and all on-going due diligence costs) and expenses incurred by Buyer with respect to Purchased Items under this Agreement, including, but not limited to, those costs and expenses incurred by Buyer pursuant to this Section 23, Sections 25 and 43 hereof, subject to the limitations set forth in Section 43. Sellers also agree not to assert any claim against Buyer or any of its Affiliates, or any of their respective officers, directors, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Program Documents, the actual or proposed use of the proceeds of the Transactions, this Agreement or any of the transactions contemplated hereby or thereby. THE FOREGOING INDEMNITY AND AGREEMENT NOT TO ASSERT CLAIMS EXPRESSLY APPLIES, WITHOUT LIMITATION, TO THE NEGLIGENCE (BUT NOT GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF THE INDEMNIFIED PARTIES.

(c) If Sellers fail to pay when due any costs, expenses or other amounts payable by them under this Agreement, including, without limitation, reasonable fees and expenses of counsel and indemnities, such amount may be paid on behalf of Sellers by Buyer (including without limitation by Buyer netting such amount from the proceeds of any Purchase Price paid

by Buyer to Sellers hereunder), in its sole discretion and Sellers shall remain liable for any such payments by Buyer. No such payment by Buyer shall be deemed a waiver of any of Buyer's rights under the Program Documents.

(d) Without prejudice to the survival of any other agreement of Sellers hereunder, the covenants and obligations of Sellers contained in this Section 23 shall survive the termination of this Agreement, the payment in full of the Repurchase Price and all other amounts payable hereunder and delivery of the Certificates by Buyer against full payment therefor.

24. WAIVER OF REDEMPTION AND DEFICIENCY RIGHTS

Each Seller hereby expressly waives, to the fullest extent permitted by law, every statute of limitation on a deficiency judgment, any reduction in the proceeds of any Purchased Items as a result of restrictions upon Buyer or Custodian contained in the Program Documents or any other instrument delivered in connection therewith, and any right that it may have to direct the order in which any of the Purchased Items shall be disposed of in the event of any disposition pursuant hereto.

25. REIMBURSEMENT

All sums reasonably expended by Buyer in connection with the exercise of any right or remedy provided for herein shall be and remain Sellers' obligation (unless and to the extent that Sellers are the prevailing party in any dispute, claim or action relating thereto). Sellers agree to pay, with interest at the Post-Default Rate to the extent that an Event of Default has occurred, the reasonable and documented out-of-pocket expenses and reasonable attorneys' fees incurred by Buyer and/or Custodian in connection with the preparation, negotiation, enforcement (including any waivers), administration and amendment of the Program Documents (regardless of whether a Transaction is entered into hereunder), the taking of any action, including legal action, required or permitted to be taken by Buyer and/or Custodian pursuant thereto, any "due diligence" or loan agent reviews conducted by Buyer or on its behalf or by refinancing or restructuring in the nature of a "workout."

26. FURTHER ASSURANCES

Sellers agree to do such further acts and things and to execute and deliver to Buyer such additional assignments, acknowledgments, agreements, powers and instruments as are reasonably required by Buyer to carry into effect the intent and purposes of this Agreement and the other Program Documents, to perfect the interests of Buyer in the Purchased Items or to better assure and confirm unto Buyer its rights, powers and remedies hereunder and thereunder.

27. SEVERABILITY

If any provision of any Program Document is declared invalid by any court of competent jurisdiction, such invalidity shall not affect any other provision of the Program Documents, and each Program Document shall be enforced to the fullest extent permitted by law.

28. **BINDING EFFECT; GOVERNING LAW**

This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AGREEMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

29. **AMENDMENTS**

Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be modified or supplemented only by an instrument in writing signed by Sellers and Buyer and any provision of this Agreement may be waived by Buyer.

30. **RESERVED**

31. **SURVIVAL**

The obligations of Sellers under Sections 3(e), 5, 23, 25 and 43 hereof, and repurchase and indemnity obligations arising out of any breach of a representation, warranty or covenant made pursuant to Sections 12 and 13 hereof during the term of this Agreement, and any other reimbursement or indemnity obligation of Sellers to Buyer pursuant to this Agreement or any other Program Document shall survive the repurchase of the Loans and Certificates hereunder, the purchase of any Loans and Certificates pursuant to a takeout commitment and the termination of this Agreement. In addition, each representation and warranty made, or deemed to be made by a request for a purchase, herein or pursuant hereto shall survive the making of such representation and warranty, and Buyer shall not be deemed to have waived, by reason of purchasing any Loan or Certificate, any Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that Buyer may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time such purchase was made.

32. **CAPTIONS**

The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

33. **COUNTERPARTS; ELECTRONIC SIGNATURES**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. The parties agree that this Agreement, any documents to be delivered pursuant to this Agreement and any notices hereunder may be

transmitted between them by e-mail and/or by facsimile. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties.

34. **SUBMISSION TO JURISDICTION; WAIVERS**

EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND/OR ANY OTHER PROGRAM DOCUMENT, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(B) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(C) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH BUYER SHALL HAVE BEEN NOTIFIED; AND

(D) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

35. **WAIVER OF JURY TRIAL**

EACH SELLER AND BUYER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER PROGRAM DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

36. **ACKNOWLEDGEMENTS**

Each Seller hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Program Documents to which it is a party;

(b) Buyer has no fiduciary relationship to such Seller; and

(c) no joint venture exists among or between Buyer and such Seller.

37. **RESERVED**

38. **ASSIGNMENTS; PARTICIPATIONS**

(a) Sellers may assign their rights or obligations hereunder only with the prior written consent of Buyer. Buyer may assign or transfer all or any of its rights and obligations under this Agreement and the other Program Documents to (a) any Affiliate of Buyer or (b) with the Sellers' consent, any bank or other financial institution that makes or invests in repurchase agreements or loans. The Buyer, acting solely for this purpose as a non-fiduciary agent of the Sellers, shall maintain a register for the recordation of the names and addresses of the Buyers, and amounts owing to, each Buyer pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Sellers and the Buyers shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Buyer hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Sellers and any Buyer, at any reasonable time and from time to time upon reasonable prior notice.

(b) Buyer may, in accordance with applicable law, at any time sell to one or more entities ("Participants") participating interests in this Agreement, its agreement to purchase Loans or Certificates, or any other interest of Buyer hereunder and under the other Program Documents. In the event of any such sale by Buyer of participating interests to a Participant, Buyer's obligations under this Agreement to Sellers shall remain unchanged, Buyer shall remain solely responsible for the performance thereof and Sellers shall continue to deal solely and directly with Buyer in connection with Buyer's rights and obligations under this Agreement and the other Program Documents. Sellers agree that if amounts outstanding under this Agreement are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Buyer under this Agreement; provided, that such Participant shall only be entitled to such right of set-off if it shall have agreed in the agreement pursuant to which it shall have acquired its participating interest to share with Buyer the proceeds thereof. Buyer also agrees that each Participant shall be entitled to the benefits of Sections 3(d), 3(h), 5 and 23 with respect to its participation in the Purchased Assets and Purchased Items outstanding from time to time, and shall be subject to the requirements and limitations therein, including the requirements under Section 5(d) (it being understood that the documentation required under Section 5(d) shall be delivered to the participating Buyer); provided, that Buyer and all Participants shall be entitled to receive no

greater amount in the aggregate pursuant to such Sections than Buyer would have been entitled to receive had no such transfer occurred. Each Buyer that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Sellers, maintain a register on which it enters the name and address of each Participant and the amounts of each Participant's interest in the Agreement (the "Participant Register"); provided that no Buyer shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in the Agreement) to any Person except to the extent that such disclosure is necessary to establish that such interest is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Buyer shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Buyer may furnish any information concerning Sellers and Guarantor or any of their Subsidiaries in the possession of Buyer from time to time to assignees and Participants (including prospective assignees and Participants) only after notifying Sellers in writing and securing signed confidentiality statements (a form of which is attached hereto as Exhibit C) and only for the sole purpose of evaluating assignments or participations and for no other purpose.

(d) Sellers agree to cooperate with Buyer in connection with any such assignment and/or participation, to execute and deliver replacement notes, and to enter into such restatements of, and amendments, supplements and other modifications to, this Agreement and the other Program Documents in order to give effect to such assignment and/or participation. Sellers further agree to furnish to any Participant identified by Buyer to Sellers copies of all reports and certificates to be delivered by Sellers to Buyer hereunder, as and when delivered to Buyer.

39. SINGLE AGREEMENT

Sellers and Buyer acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, Sellers and Buyer each agree (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, and (ii) that payments, deliveries and other transfers made by any of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transaction hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

40. INTENT

Sellers and Buyer recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101(47)(A)(i) of Title 11 of the USC, a "securities contract" as that term is defined in Section 741(7)(A)(i) of Title 11 of the USC, and a "master netting agreement" as that term is defined in Section 101(38A)(A) of Title 11 of the USC. Sellers and Buyer further intend that Buyer be entitled to, without limitation, the liquidation, termination, acceleration,

setoff and non-avoidability rights afforded to parties such as Buyer to "repurchase agreements," pursuant to sections 559, 362(b)(7) and 546(f) of the Bankruptcy Code; "securities contracts," pursuant to sections 555, 362(b)(6) and 546(e) of the Bankruptcy Code; and "master netting agreements," pursuant to sections 561, 362(b)(27) and 546(j) of the Bankruptcy Code.

It is understood that Buyer's right to liquidate the Purchased Assets delivered to it in connection with the Transactions hereunder or to accelerate or terminate this Agreement or otherwise exercise any other remedies pursuant to Section 19 hereof is a contractual right to liquidate, accelerate or terminate such Transaction as described in Sections 555, 559 and 561 of Title 11 of the USC.

41. **CONFIDENTIALITY**

The Program Documents and their respective terms, provisions, supplements and amendments, and transactions and notices thereunder, are proprietary to Buyer and shall be held by Sellers and Buyer in strict confidence and shall not be disclosed to any third party without the consent of the other parties, except for (i) disclosure to Sellers' or Buyer's Affiliates, directors, attorneys, agents or accountants, provided that such attorneys or accountants likewise agree to be bound by this covenant of confidentiality, or are otherwise subject to confidentiality restrictions or (ii) upon prior written notice to the other party, disclosure required by law, rule, regulation or order of a court or other regulatory body or (iii) with prior written notice to Buyer, disclosure to any approved hedge counterparty to the extent necessary to obtain any hedge instrument, or (iv) when circumstances reasonably permit, any disclosures or filing required under Securities and Exchange Commission ("SEC") or state securities' laws; provided that in the case of disclosure by any party pursuant to the foregoing clauses (ii), (iii) and (iv), each party shall take reasonable actions to provide the other party with prior written notice; provided further that in the case of (iv), neither party shall file any of the Program Documents other than the Agreement with the SEC or state securities office unless such party shall have provided at least five (5) days (or such lesser time as may be demanded by the SEC or state securities office) prior written notice of such filing to the other party. Notwithstanding anything herein to the contrary, each party (and each employee, representative, or other agent of each party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. For this purpose, tax treatment and tax structure shall not include (i) the identity of any existing or future party (or any Affiliate of such party) to this Agreement or (ii) any specific pricing information or other commercial terms, including the amount of any fees, expenses, rates or payments arising in connection with the transactions contemplated by this Agreement.

42. **SERVICING**

(a) Each Seller covenants to maintain or cause the servicing of the Loans to be maintained in conformity with Accepted Servicing Practices and pursuant to the related Servicing Agreement. In the event that the preceding language is interpreted as constituting one or more servicing contracts, each such servicing contract shall terminate automatically upon the earliest of (i) the termination thereof by Buyer pursuant to subsection (d) below, (ii) thirty (30) days after the last Purchase Date related to the applicable Certificates, (iii) a Default or an Event

of Default, (iv) the date on which all the Obligations have been paid in full, or (v) the transfer of servicing to any entity approved by Buyer and the assumption thereof by such entity. Upon any such termination, Sellers shall comply with the requirements set forth in Section 13(ee) as to the delivery of the Servicing Records and the physical servicing of each Loan.

(b) With respect to all Loans, Sellers agree that Buyer or the Trust, as applicable, is the owner of the Servicing Rights and all servicing records with respect to the related Loans, including but not limited to any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of such Loans (the "Servicing Records"). At all times during the term of this Agreement, Sellers covenant to hold or cause the Servicer to hold such Servicing Records in trust for Buyer and to safeguard, or cause each Subservicer to safeguard, such Servicing Records and to deliver them, or cause any such Subservicer to deliver them to the extent permitted under the related Servicing Agreement promptly to Buyer or its designee (including Custodian) at Buyer's request or otherwise as required by operation of Section 13(ee) hereof. It is understood and agreed by the parties that prior to an Event of Default, applicable Servicer shall retain the servicing fees with respect to the Loans.

43. **PERIODIC DUE DILIGENCE REVIEW**

Sellers acknowledge that Buyer has the right to perform continuing due diligence reviews with respect to the Loans, for purposes of verifying compliance with the representations, warranties, covenants and specifications made hereunder or under any other Program Document, or otherwise, and Sellers agree that upon reasonable (but no less than three (3) Business Days') prior notice to Sellers (provided that upon the occurrence of a Default or an Event of Default, no such prior notice shall be required), Buyer or its authorized representatives will be permitted during normal business hours to examine, inspect, make copies of, and make extracts of, the Mortgage Asset Files, the Servicing Records and any and all documents, records, agreements, instruments or information relating to such Loans in the possession, or under the control, of Sellers and/or Custodian. Sellers also shall make available to Buyer a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Mortgage Asset Files and the Loans. Without limiting the generality of the foregoing, Sellers acknowledge that Buyer shall purchase Loans and Certificates from Sellers based solely upon the information provided by Sellers to Buyer in the Loan Schedule and the representations, warranties and covenants contained herein, and that Buyer, at its option, has the right, at any time to conduct a partial or complete due diligence review on some or all of the Loans, including, without limitation, ordering new credit reports, new appraisals on the related Mortgaged Properties and otherwise re-generating the information used to originate the related Loans. Buyer may underwrite the related Loans itself or engage a third party underwriter to perform such underwriting. Sellers agree to cooperate with Buyer and any third party underwriter in connection with such underwriting, including, but not limited to, providing Buyer and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to the applicable Loans in the possession, or under the control, of Sellers. In addition, Buyer has the right to perform continuing Due Diligence Reviews (including, without limitation, operational, legal, corporate and background due diligence) of Sellers and Guarantor and their directors, and their respective Subsidiaries and the officers, employees and significant shareholders thereof.

Sellers and Buyer further agree that all reasonable and documented out-of-pocket costs and expenses incurred by Buyer in connection with Buyer's activities pursuant to this Section 43 shall be paid by Sellers; provided that, in the absence of a Default or an Event of Default, any such costs and expenses payable by Sellers shall not exceed $500 per Loan with respect to loan-level due diligence and, with respect to onsite due diligence reviews of the Sellers or Guarantor, $25,000 in the aggregate in any calendar year. For the avoidance of doubt, upon the occurrence of a Default or an Event of Default, the foregoing dollar limitations shall not apply.

44. **SET-OFF**

In addition to any rights and remedies of Buyer provided by this Agreement and by law, Buyer shall have the right, without prior notice to Sellers, any such notice being expressly waived by Sellers to the extent permitted by applicable law, upon any amount becoming due and payable by Sellers hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all Property and deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by Buyer or any Affiliate thereof to or for the credit or the account of Seller. Buyer may set-off cash, the proceeds of the liquidation of any Purchased Items and all other sums or obligations owed by Buyer or its Affiliates to Sellers against all of Sellers' obligations to Buyer or its Affiliates, whether under this Agreement or under any other agreement between the parties or between any Seller and any Affiliate of Buyer, or otherwise, whether or not such obligations are then due, without prejudice to Buyer's or its Affiliate's right to recover any deficiency. Buyer agrees promptly to notify Sellers after any such set-off and application made by Buyer; provided that the failure to give such notice shall not affect the validity of such set-off and application. For purposes of this Section 44, Buyer's "Affiliates" shall be limited to Citigroup Global Markets Realty Corp.

45. **JOINT AND SEVERAL LIABILITY**

The Sellers hereby acknowledge and agree that they are jointly and severally liable to the Buyer for all representations, warranties, covenants, obligations and liabilities of each of the Sellers hereunder. The Sellers hereby further acknowledge and agree that (a) a Default or an Event of Default is hereby considered a Default or an Event of Default by each Seller, and (b) the Buyer shall have no obligation to proceed against one Seller before proceeding against the other Seller. The Sellers hereby waive any defense to their obligations under this Agreement based upon or arising out of the disability or other defense or cessation of liability of one Seller versus the other. A Seller's subrogation claim arising from payments to Buyer shall constitute a capital investment in another Seller (1) subordinated to any claims of Buyer, and (2) equal to a ratable share of the equity interests in such Seller.

46. **ENTIRE AGREEMENT**

This Agreement and the other Program Documents embody the entire agreement and understanding of the parties hereto and thereto and supersede any and all prior agreements, arrangements and understandings relating to the matters provided for herein and therein. No

alteration, waiver, amendments, or change or supplement hereto shall be binding or effective unless the same is set forth in writing by a duly authorized representative of each party hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

WATERFALL COMMERCIAL DEPOSITOR LLC,
a Delaware limited liability company,
as a Seller

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Authorized Person

SUTHERLAND ASSET I, LLC, a Delaware limited liability company,
as a Seller

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Authorized Person

READYCAP COMMERCIAL, LLC, a Delaware limited liability company,
as a Seller

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Authorized Person

CITIBANK, N.A.
as Buyer

By: /s/ Susan Mills
Name: Susan Mills
Title: Vice President

SCHEDULE 1-A
REPRESENTATIONS AND WARRANTIES RE: PURCHASED CERTIFICATES

As to each Purchased Certificate, the Certificate Seller shall be deemed to make the following representations and warranties to Buyer as of the initial Purchase Date and as of each date such Certificate is subject to a Transaction:

(a) Each Purchased Certificate represents a 100% ownership interest in the related Trust.

(b) Each Purchased Certificate has been duly and validly issued pursuant to the related Trust Documents.

(c) Upon the purchase thereof under this Agreement, the Buyer is the record and beneficial owner of, and has title to, the Purchased Certificate, free of any and all Liens or options in favor of, or claims of, any other Person, except the Lien created by this Loan Agreement.

(d) Each of the related Trust Documents is in full force and effect, and each such Trust Document was duly and validly executed and delivered by each of the parties thereto. There are no amendments to the Trust Documents that have not been provided to Buyer.

SCHEDULE 1-B
REPRESENTATIONS AND WARRANTIES RE: BUSINESS PURPOSE LOANS AND READYCAP ORIGINATION LOANS

As to each Purchased Loan that is a Business Purpose Loan or a ReadyCap Origination Loan and each Business Purpose Loan that is owned by a Trust represented by a Purchased Certificate, Sellers shall be deemed to make the following representations and warranties to Buyer as of the initial Purchase Date and as of each date such Loan and each related Certificate are subject to a Transaction:

(a) Loans as Described. The information set forth in the Loan Schedule with respect to the Loan is true and correct in all material respects.

(b) Payments Current. Except with respect to Loans identified in writing to Buyer as Delinquent, as of the initial Purchase Date, the Loan is not, and since the date of origination if such Loan has been originated within the past 12 months, has not been, 30 days or more past due in respect of any Monthly Payment without giving effect to any applicable grace period. The Loan has not, except as disclosed to Buyer in writing, to the Seller's knowledge, been 30 days or more past due in respect of any Monthly Payment (without giving effect to any applicable grace period) at any time since the date of origination.

(c) No Outstanding Charges. Except with respect to Loans identified in writing to Buyer as Delinquent, there are no defaults in complying with the terms of the Mortgage securing the Loan, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or will be paid prior to any economic loss or forfeiture of the related Mortgaged Property or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable.

(d) Reserved.

(e) Original Terms Unmodified. The terms of the Note and Mortgage have not been impaired, waived, altered or modified in any respect, from the date of origination except by a written instrument which has been included as a part of the related Mortgage Asset File. No Mortgagor in respect of the Loan has been released, in whole or in material part in a manner which would materially interfere with the benefits of the security intended to be provided.

(f) No Defenses. Except as set forth in clause (k), there was no valid offset, defense, counter claim or right of rescission available to the related Mortgagor with respect to any of the related Notes, Mortgages or other loan documents, including, without limitation, any such valid offset, defense, counter claim or right based on intentional fraud by the Seller in connection with the origination of the Loan, that would deny the mortgagee the principal benefits intended to be provided by the Note, Mortgage or other loan documents. To Sellers' knowledge, no Mortgagor under a Loan is a debtor in any state or federal bankruptcy, insolvency or similar proceeding.

(g) Hazard Insurance. The Mortgaged Property is insured by a fire and extended perils insurance policy, issued by an insurer that is generally acceptable in the commercial lending market, and such other hazards as are customary in the area where the Mortgaged

Property is located, against risks insured against by Persons operating like properties in the locality of the Mortgaged Property, in an amount not less than the greatest of (i) 100% of the replacement cost of all improvements to the Mortgaged Property, (ii) the outstanding principal balance of the Loan, (iii) the amount necessary to avoid the operation of any co-insurance provisions with respect to the Mortgaged Property, (iv) the amount necessary to fully compensate for any damage or loss to the improvements that are a part of such property on a replacement cost basis. If any portion of the Mortgaged Property is in an area identified by any federal Governmental Authority as having special flood hazards, and flood insurance is available, a flood insurance policy meeting the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier, in an amount representing coverage not less than the least of (1) the outstanding principal balance of the Loan, (2) the full insurable value of the Mortgaged Property, and (3) the maximum amount of insurance available under the Flood Disaster Protection Act of 1973, as amended. All such insurance policies (collectively, the "hazard insurance policy") contain a standard mortgagee clause naming Seller, its successors and assigns (including without limitation, subsequent owners of the Loan), as mortgagee, and may not be reduced, terminated or canceled without 30 days' prior written notice to the mortgagee. No such notice has been received by Seller. All premiums due and owing on such insurance policy have been paid. The related Mortgage obligates the Mortgagor to maintain all such insurance and, at such Mortgagor's failure to do so, authorizes the mortgagee to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from such Mortgagor. The hazard insurance policy is the valid and binding obligation of the insurer and is in full force and effect. No Seller or Servicer has engaged in, and no Seller has knowledge of the Mortgagor's having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other Person, and no such unlawful items have been received, retained or realized by Seller.

(h) Compliance with Applicable Laws. At origination, each Loan complied with, or was exempt from, all applicable laws with respect to the origination of such Loan, including without limitation any laws with respect to usury.

(i) No Satisfaction of Mortgage. The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such release, cancellation, subordination or rescission except in the case of a release of a portion of the land comprising a Mortgaged Property, as noted on the Loan Schedule. Seller has not waived the performance by the Mortgagor of any action, if the Mortgagor's failure to perform such action would cause the Loan to be in default, nor has Seller waived any default resulting from any action or inaction by the Mortgagor.

(j) Valid Lien. The Mortgage related to and delivered in connection with each Loan constitutes a valid and, subject to the exceptions set forth in (r) below, enforceable first priority lien upon the real property included in the related Mortgaged Property, including all buildings on the Mortgaged Property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations

and replacements made at any time with respect to the foregoing. The lien of the Mortgage is prior to all other liens and encumbrances, and there are no liens and/or encumbrances that are pari passu with or subordinate to the lien of such Mortgage, in any event except for (a) the lien for current real estate taxes, ground rents, water charges, sewer rents and assessments not yet due and payable, (b) covenants, conditions and restrictions, rights of way, easements and other matters that are of public record and are referred to in the related lender's title insurance policy (or, if not yet issued, referred to in a pro forma title policy, a preliminary title policy with escrow instructions, or a "marked-up" commitment, in each case binding upon the title insurer), none of which (individually or in the aggregate), materially interferes with the security intended to be provided by such Mortgage, or the marketability or principal use of the related Mortgaged Property or the ability of the related Mortgaged Property to generate income sufficient to service such Loan, (c) exceptions and exclusions specifically referred to in such lender's title insurance policy (or, if not yet issued, referred to in a pro forma title policy, a preliminary title policy with escrow instructions or "marked-up" commitment, in each case binding upon the title insurer), none of which (individually or in the aggregate) materially interferes with the security intended to be provided by such Mortgage, or the marketability or principal use of the related Mortgaged Property or the ability of the related Mortgaged Property to generate income sufficient to service such Loan, (d) other matters to which like properties are commonly subject, none of which (individually or in the aggregate) materially interferes with the security intended to be provided by such Mortgage, or the marketability or principal use of the related Mortgaged Property or the ability of the related Mortgaged Property to generate income sufficient to service the related Loan, (e) the rights of tenants (as tenants only) under leases (including subleases) pertaining to the related Mortgaged Property which the Seller did not require to be subordinated to the lien of such Mortgage and which do not (individually or in the aggregate) materially interfere with the security intended to be provided by such Mortgage, or the marketability or principal use of the related Mortgaged Property or the ability of the related Mortgaged Property to generate income sufficient to service the related Loan, (f) condominium declarations of record and identified in such lender's title insurance policy (or, if not yet issued, referred to in a pro forma title policy, a preliminary title policy with escrow instructions or "marked-up" commitment, in each case binding upon the title insurer) and (g) if such Loan constitutes a cross-collateralized Loan, the lien of the Mortgage for another Loan that is owned by a Trust represented by a Purchased Certificate (the foregoing items (a) through (g) being herein referred to as the "Permitted Encumbrances"). Such Mortgage, together with any separate security agreements, chattel mortgages or equivalent instruments and UCC Financing Statements, establishes and creates a valid and, subject to the exceptions set forth in (r) below, enforceable security interest in favor of the holder thereof in all items of personal property owned by the related Mortgagor which are material to the conduct in the ordinary course of the Mortgagor's business on the related Mortgaged Property.

(k) Validity of Mortgage Documents. The Note and the Mortgage and any other agreement executed and delivered by a Mortgagor or guarantor, if applicable, in connection with a Loan are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and except that certain provisions in such loan documents may be further limited or rendered unenforceable by

applicable law, but (subject to the limitations set forth in the foregoing clauses (i) and (ii)) such limitations or unenforceability will not render such loan documents invalid as a whole or substantially interfere with the Mortgagee's realization of the principal benefits and/or security provided thereby. All parties to the Note, the Mortgage and any other such related agreement had legal capacity to enter into the Loan and to execute and deliver the Note, the Mortgage and any such agreement, and the Note, the Mortgage and any other such related agreement have been duly and properly executed by such related parties. To Sellers' actual knowledge, no fraud, error, negligence, omission, misrepresentation or similar occurrence with respect to a Loan has taken place on the part of any Person, including, without limitation, the Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination of the Loan or in the application of any insurance in relation to such Loan.

(l) Full Disbursement of Proceeds. The proceeds of the Loan have been fully disbursed and there is no further requirement for future advances thereunder. Any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing the Loan and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Note or Mortgage.

(m) Ownership. A Loan Seller or the applicable Trust, as applicable, is the sole owner and holder of the Loan. Each Loan was acquired by Seller or an affiliate of Seller or the related Trust from a third party. In connection with such sale, such third party received reasonably equivalent value and fair consideration and, in accordance with GAAP and for federal income tax purposes, reported the sale of such Loan to the related Seller, its affiliate or such Trust as a sale of its interests in such Loan.

(n) Reserved.

(o) Reserved.

(p) Title Insurance. Each Mortgaged Property securing a Loan is covered by an American Land Title Association lender's title insurance policy or a comparable form of lender's title insurance policy approved for use in the applicable jurisdiction (the "Title Policy") (or, if such policy is yet to be issued, by a pro forma policy, a preliminary title policy with escrow instructions or a "marked up" commitment binding on the title insurer) in the original principal amount of such Loan after all advances of principal, insuring that the related Mortgage is a valid first priority lien on such Mortgaged Property, subject only to any Permitted Encumbrances. Such Title Policy (or, if it has yet to be issued, the coverage to be provided thereby) is in full force and effect, is assignable without the consent of the insurer, all premiums thereon have been paid and, to the Seller's knowledge, no material claims have been made thereunder and no claims have been paid thereunder. Seller has not, and to the Seller's knowledge, none of Servicer or any other holder of the Loan have not done, by act or omission, anything that would materially impair the coverage under such Title Policy. Such Title Policy contains no exclusion for, or alternatively insures (a) access to a public road or (b) against loss due to encroachment of any material improvements.

(q) No Defaults. Except with respect to Loans identified in writing to Buyer as Delinquent, to the Seller's knowledge, there exists no material default, breach, violation or event of acceleration under the Note or Mortgage for any Loan except as disclosed to Buyer. No Loan is subject to judicial or non- judicial foreclosure proceedings.

(r) No Mechanics' Liens. As of the date of origination and, to the Seller's knowledge, as of the initial Purchase Date, each Mortgaged Property securing a Loan (exclusive of any related personal property) is free and clear of any and all mechanics' and materialmen's liens that are prior or equal to the lien of the related Mortgage and that are not bonded or escrowed for or covered by title insurance; and, to the Seller's knowledge, no rights are outstanding that under law could give rise to any such lien that would be prior or equal to the lien of the related Mortgage and that is not bonded or escrowed for or covered by title insurance.

(s) Location of Improvements; No Encroachments. To the Seller's knowledge (based solely on surveys (if any) and/or the lender's title policy obtained in connection with the origination of each Loan), as of the date of the origination of each Loan, (a) all of the improvements on the related Mortgaged Property considered material in determining the appraised value of the Mortgaged Property at origination lay wholly within the boundaries and, to the extent in effect at the time of construction, building restriction lines of such property, except for encroachments that are insured against by the lender's title insurance policy or that do not materially and adversely affect the value, marketability or current principal use of such Mortgaged Property, and (b) no improvements on adjoining properties encroached upon such Mortgaged Property so as to materially and adversely affect the value or marketability of such Mortgaged Property, except those encroachments that are insured against by the lender's title insurance policy referred to in (p) above.

(t) Reserved.

(u) Customary Provisions. The Loan Documents for each Loan, together with applicable state law, contain customary and, subject to the exceptions set forth in (k) above, enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the practical realization against the related Mortgaged Property of the principal benefits of the security intended to be provided thereby, including, without limitation, foreclosure or similar proceedings (as applicable for the jurisdiction where the related Mortgaged Property is located).

(v) Reserved.

(w) Occupancy of the Mortgaged Property. As of the initial Purchase Date, the Mortgaged Property was either vacant or lawfully occupied under applicable law. To the best of Seller's knowledge based on due diligence customarily performed by prudent commercial lending institutions, all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities. Seller has not received written notification from any governmental authority that the Mortgaged Property is in material non-compliance with such laws or regulations, is being used, operated or occupied unlawfully or has failed to have or obtain such inspection, licenses or certificates, as

the case may be. Seller has not received notice of any violation or failure to conform with any such law, ordinance, regulation, standard, license or certificate.

(x) No Additional Collateral. The Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in clause (j) above or other collateral assigned to the applicable Trust.

(y) Deeds of Trust. If the Mortgage for any Loan is a deed of trust, then (a) a trustee, duly qualified under applicable law to serve as such, has either been properly designated and currently so serves or may be substituted in accordance with the Mortgage and applicable law, and (b) no fees or expenses are payable to such trustee by the applicable Trust, the Buyer or any transferee thereof except in connection with a trustee's sale after default by the related Mortgagor or such customary fee, as may be payable, in connection with any full or partial release of the related Mortgaged Property or related security for such Loan.

(z) Delivery of Mortgage Documents. The Note, the Mortgage, the Assignment of Mortgage and any other documents required to be delivered under the applicable Custodial Agreement for each Loan have been delivered to Custodian. The Custodian is in possession of a complete Mortgage Asset File in compliance with the applicable Custodial Agreement.

(aa) Transfer of Loans. The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located.

(bb) Due-On-Sale. The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Loan in the event that the Mortgaged Property is sold or transferred (other than in accordance with the terms of the mortgage loan documents that have customary permitted transfers and assumption provisions) without the prior written consent of the mortgagee thereunder.

(cc) Reserved.

(dd) Reserved.

(ee) Mortgaged Property Undamaged. The Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty so as to affect the value of the Mortgaged Property as security for the Loan or the use for which the premises were intended and each Mortgaged Property is in good repair. There have not been any condemnation proceedings with respect to the Mortgaged Property and Seller has no knowledge of any such proceedings.

(ff) Collection Practices; Escrow Deposits: Interest Rate Adjustments. With respect to each Loan at all times while a Seller or the related Trust has owned such Loan, the servicing practices used with respect to each Loan have been in all material respects legal, proper, and prudent. With respect to each Loan during the period prior to a Seller or the related Trust owning such Loan, to Sellers' knowledge, the servicing practices used with respect to each Loan have been in all material respects legal, proper and prudent. To Sellers' knowledge, the

origination practices of the related originator of the Loan have been, in all material respects, legal and as of the date of its origination, such Loan complied in all material respects with, or was exempt from, all requirements of federal, state or local law relating to the origination of such Loan.

(gg) Reserved.

(hh) Reserved.

(ii) Reserved.

(jj) Reserved.

(kk) Construction or Rehabilitation of Mortgaged Property. No Loan was made in connection with the construction or rehabilitation of a Mortgaged Property unless all related construction or rehabilitation has been completed.

(ll) Reserved.

(mm) Reserved.

(nn) No Equity Participation. No Loan contains any equity participation by the Mortgagee thereunder, is convertible by its terms into an equity ownership interest in the related Mortgaged Property or the related Mortgagor, provides for any contingent or additional interest in the form of participation in the cash flow of the related Mortgaged Property, or provides for the negative amortization of interest.

(oo) Withdrawn Loans. If the Loan has been released to Seller pursuant to a Request for Release as permitted under the applicable Custodial Agreement, then the promissory note relating to the Loan was returned to Custodian within 10 days (or if such tenth day was not a Business Day, the next succeeding Business Day).

(pp) Reserved.

(qq) Reserved.

(rr) Mortgage Submitted for Recordation. The Mortgage has been submitted for recordation in the appropriate governmental recording office of the jurisdiction where the Mortgaged Property is located.

(ss) Reserved.

(tt) Reserved.

(uu) Georgia Loans. No Loan which is secured by a Mortgaged Property which is located in the state of Georgia was originated prior to March 7, 2003.

(vv) Reserved.

(ww) Reserved.

(xx) Interest Only Loans. No Loan is an interest only loan, except as disclosed to Buyer.

(yy) Consumer Credit. No Loan constitutes consumer credit as defined under the federal Truth in Lending Act, 15 USC 1601 et seq. ("TILA"), and its promulgating regulation, Regulation Z, 12 CFR Part 1026. Each Loan will only be used for commercial or business purposes as defined in Section 104(1) of TILA, 15 USC 1063(1), and Section 1026.3(a)(1) Regulation Z, 12 CFR 1026.3(a)(1). Further, none of the Loans are subject to any federal, state or local laws governing consumer credit, including, but not limited to, TILA and Regulation Z, the federal Real Estate Settlement Procedures Act and its promulgating regulation, Regulation X, the Home Ownership and Equity Protection Act and any state laws applicable to "high cost," "predatory," threshold" or similar loans.

(zz) Negative Amortization Loans. No Loan provides for negative amortization, except as disclosed to Buyer.

(aaa) Single-Purpose Entity. Each ReadyCap Origination Loan that is a non-recourse loan requires the related Mortgagor to be a Single-Purpose Entity for at least as long as the Loan is outstanding. Both the Loan Documents and the organizational documents of the related Mortgagor with respect to each Loan provide that the Mortgagor is a Single-Purpose Entity. For this purpose, a "Single- Purpose Entity" shall mean an entity, other than an individual, whose organizational documents provide substantially to the effect that it was formed or organized solely for the purpose of owning and operating one or more of the Mortgaged Properties securing the Loan and prohibit it from engaging in any business unrelated to such Mortgaged Property or Properties, and whose organizational documents further provide, or which entity represented in the related loan documents, substantially to the effect that it does not have any assets other than those related to its interest in and operation of such Mortgaged Property or Properties, or any indebtedness other than as permitted by the related Mortgage(s) or the other related loan documents, that it has its own books and records and accounts separate and apart from those of any other person (other than a Mortgagor for a Loan that is cross-collateralized and cross-defaulted with the related Loan), and that it holds itself out as a legal entity, separate and apart from any other person or entity.

(bbb) Ground Leases. With respect to each ReadyCap Origination Loan, with respect to each ground lease to which the Mortgaged Property is subject (a "Ground Lease"): (i) the Mortgagor is the owner of a valid and subsisting interest as tenant under the Ground Lease; (ii) the Ground Lease is in full force and effect, unmodified and not supplemented by any writing or otherwise; (iii) all rent, additional rent and other charges reserved therein have been paid to the extent they are payable to the date hereof; (iv) the Mortgagor enjoys the quiet and peaceful possession of the estate demised thereby, subject to any sublease; (v) the Mortgagor is not in default under any of the terms thereof and there are no circumstances which, with the passage of time or the giving of notice or both, would constitute an event of default thereunder; (vi) the lessor under the Ground Lease is not in default under any of the terms or provisions thereof on the part of the lessor to be observed or performed; (vii) the lessor under the Ground Lease has satisfied all of its repair or construction obligations, if any, to date pursuant to the terms of the

Ground Lease; (viii) the remaining term of the Ground Lease extends not less than ten (10) years following the maturity date of such Loan; and (ix) the execution, delivery and performance of the Mortgage do not require the consent (other than those consents which have been obtained and are in full force and effect) under, and will not contravene any provision of or cause a default under, the Ground Lease.

(ccc) Reserved.

(ddd) Reserved.

(eee) Reserved.

(fff) Insurance. With respect to each Mortgaged Property, such Mortgaged Property is required pursuant to the related Mortgage to be (or the holder of the Mortgage can require that the Mortgaged Property be), and at origination the related originator received evidence that such Mortgaged Property was, insured by a multi-family, commercial or mixed-use general liability insurance policy (as applicable) in amounts as are generally required by multi-family, commercial and mixed-use mortgage lenders (as applicable) for similar properties, and in any event not less than $500,000 per occurrence.

(ggg) Separate Tax Lots. Each Mortgaged Property contains one or more separate tax lots (or will constitute separate tax lots when the next tax maps are issued) or is subject to an endorsement under the related title insurance policy.

(hhh) Access/Utilities. Each Mortgaged Property has adequate access to public ways and is served by utilities, including, without limitation, adequate water, sewer, electricity, gas, telephone, sanitary sewer, and storm drain facilities. All public utilities necessary to the continued use and enjoyment of each Mortgaged Property as presently used and enjoyed are located in the public right-of- way abutting such Mortgaged Property, and all such utilities are connected so as to serve such Mortgaged Property without passing over other property. All roads necessary for the full use of each Mortgaged Property for such Mortgaged Property's current purpose have been completed and dedicated to public use and accepted by all governmental authorities or are subject of access easements for the benefit of such Mortgage Property.

(iii) Reserved.

(jjj) Recourse. The documents contained in the related Mortgage Asset File contain provisions provided for recourse against the related Mortgagor, a principal of such Mortgagor or an entity controlled by a principal of such Mortgagor, or a natural person, for either (a) all amounts due under such Loan or (b) damages sustained in connection with the Mortgagor's fraud or willful misrepresentation, failure to deliver insurance or condemnation proceeds or awards or security deposits to lender or to apply such sums as required such documents, failure to apply rents and other income during a default or after acceleration to either amounts owing under the loan or normal and necessary operating expenses of the property or commission of material physical waste at the Mortgaged Property. The documents contained in the related Mortgage Asset File contain provisions pursuant to which the related Mortgagor, a principal of such Mortgagor or an entity controlled by a principal of such Mortgagor, or a natural person, has

agreed to indemnify the mortgagee for damages resulting from violations of any applicable environmental covenants.

(kkk) Cross-Collateralization. No Loan is cross-collateralized or cross-defaulted with any loan which is not owned by the same applicable Trust.

(lll) Reserved.

(mmm) Assignment of Leases and Rents. Any assignment of leases, rents and profits or similar document or instrument executed by the related Mortgagor in connection with the origination of the related Loan, as such document may be amended, modified, renewed or extended from time to time (the "Assignment of Leases and Rents") was duly executed, acknowledged and delivered and establishes and creates a valid and, subject to the exceptions set forth in clause (k) herein, enforceable first priority collateral assignment of, or lien on, the related Mortgagor's interest in all leases, sub-leases, licenses or other agreements pursuant to which any person is entitled to occupy, use or possess all or any portion of the real property subject to the related Mortgage, subject to legal limitations of general applicability to commercial mortgage loans similar to the Loans, and the Mortgagor and each assignor of such Assignment of Leases and Rents to the related Trust have the full right to assign the same. Each Loan contains an Assignment of Leases and Rents, and such Assignment of Leases and Rents is included either in the related Mortgage or in a related separate assignment document, and has been assigned to the applicable Trust. The related assignment of any Assignment of Leases and Rents not included in the related Mortgage has been executed and delivered to the Custodian in blank, is otherwise in recordable form and constitutes a legal, valid and binding assignment, sufficient to convey to the assignee named therein (assuming that the assignee has the capacity to acquire such Assignment of Leases and Rents) all of the assignor's right, title and interest in, to and under such Assignment of Leases and Rents.

(nnn) Reserved.

(ooo) Appraisal for Small Balance Commercial Loans. An appraisal of the related Mortgaged Property was conducted in connection with the origination of the Loan, which appraisal is signed by an appraiser, who, to the Seller's knowledge, had no interest, direct or indirect, in the Mortgaged Property or the Mortgagor or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Loan; in connection with the origination of the Loan, each appraiser has represented in such appraisal or in a supplemental letter that the appraisal satisfies the requirements of the "Uniform Standards of Professional Appraisal Practice" as adopted by the Appraisal Standards Board of the Appraisal Foundation. With respect to each ReadyCap Origination Loan, such appraisal is dated within twelve (12) months of origination of the related Loan.

(ppp) Reserved.

(qqq) Non-conforming Uses. At origination, the improvements located on or forming part of each Mortgaged Property securing a Loan were, and to the Seller's knowledge are in material compliance with applicable zoning laws and ordinances or constitute a legal non-conforming use or structure (or, if any such improvement does not so comply and does not

constitute a legal non-conforming use or structure, such non-compliance and failure does not materially and adversely affect (i) the value of the related Mortgaged Property as determined by the appraisal performed in connection with the origination of such Loan; or (ii) the principal use of the Mortgaged Property as of the date of the origination of such Loan).

(rrr) Hazardous Substances. With respect to each Mortgaged Property for which an environmental report was prepared, other than as disclosed in such environmental report, (X) no hazardous substance is present on such Mortgaged Property, such that (1) the value, use or operations of such Mortgaged Property is materially and adversely affected, or (2) under applicable federal, state or local law and regulations, (i) such hazardous substance could be required to be eliminated, remediated or otherwise responded to at a cost or in a manner materially and adversely affecting the value, use or operations of the Mortgaged Property before such Mortgaged Property could be altered, renovated, demolished or transferred or (ii) the presence of such hazardous substance could (upon action by the appropriate governmental authorities) subject the owner of such Mortgaged Property, or the holders of a security interest therein, to liability for the cost of eliminating, remediating or otherwise responding to such hazardous substance or the hazard created thereby at a cost or in a manner materially and adversely affecting the value, use or operations of the Mortgaged Property, and (Y) such Mortgaged Property is in material compliance with all applicable federal, state and local laws and regulations pertaining to hazardous substances or environmental hazards, any noncompliance with such laws or regulations does not have a material adverse effect on the value, use or operations of such Mortgaged Property and neither the Seller nor the related Mortgagor or any current tenant thereon, has received any notice of any violation or potential violation of any such law or regulation. Each Mortgage requires the related Mortgagor to comply with all applicable federal, state and local Environmental Laws and regulations.

(sss) Reserved.

(ttt) No Releases. No Note or Mortgage requires the mortgagee to release all or any material portion of the related Mortgaged Property that was included in the valuation for such Mortgaged Property, and/or generates income, from the lien of the related Mortgage except upon payment in full of all amounts due under the related Loan, or upon satisfaction of the defeasance provisions of such Loan, other than the Loans that require the mortgagee to grant a release of a portion of the related Mortgaged Property upon (a) the satisfaction of certain legal and underwriting requirements where the portion of the related Mortgaged Property permitted to be released was not considered by the Seller or the related originator to be material in underwriting the Loan or, in the case of a substitution, where the Mortgagor is entitled to substitute a replacement parcel at its option upon the satisfaction of specified conditions, and/or (b) the payment of a release price and prepayment consideration in connection therewith, is consistent with the Seller's normal multi-family, commercial and mixed-use mortgage lending practices (as applicable) (and in both (a) and (b), any release of the Mortgaged Property has been reflected in the Loan Schedule). Except as described in the prior sentence (other than with respect to defeasance and substitution), no Loan permits the full or partial release or substitution of collateral unless (1) the mortgagor is entitled to substitute a replacement parcel at its unilateral option upon satisfaction of specified conditions, and (2) the mortgagee or servicer can require the Mortgagor to provide an opinion of tax counsel to the effect that such release or substitution of collateral (a) would not constitute a "significant modification" of such Loan within the meaning

of Treas. Reg. §1.1001-3 and (b) would not cause such Loan to fail to be a "qualified mortgage" within the meaning of Section 860G(a)(3)(A) of the Code. The loan documents with respect to each Loan that permits the full or partial release or substitution of collateral requires the related Mortgagor to bear the cost of such opinion.

(uuu) Reserved.

(vvv) Reserved.

(www) Commercial Loan. Each Mortgage is a commercial loan that was made primarily for commercial or business purposes, and was not made primarily for personal, family or household purposes, as such terms are defined under the Federal Truth in Lending Act, 15 U.S.C. 1601 et seq. and its implementing regulation, Regulation Z, 12 C.F.R., Part 1026.

(xxx) Reserved.

(yyy) Type of Mortgaged Property. No Loan is secured by a Mortgaged Property with an adult entertainment venue erected thereon. No Loan is secured by a Mortgaged Property with a house of worship erected thereon. No Loan is secured by a Mortgaged Property with a medical marijuana dispensary erected thereon. No Loan is secured by a Mortgaged Property with a gas station or an automotive servicing or repair facility erected thereon.

SCHEDULE 1-C
REPRESENTATIONS AND WARRANTIES RE: RESIDENTIAL LOANS

As to each Residential Loan that is owned by a Trust represented by a Purchased Certificate, Sellers shall be deemed to make the following representations and warranties to Buyer as of the initial Purchase Date and as of each date the related Certificate is subject to a Transaction:

(a) Loans as Described. The information set forth in the Loan Schedule with respect to the Loan is true and correct in all material respects.

(b) Payments Current. As of the initial Purchase Date, the Loan is not 30 days or more past due in respect of any Monthly Payment without giving effect to any applicable grace period.

(c) No Outstanding Charges. There are no defaults in complying with the terms of the Mortgage securing the Loan, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or will be paid prior to any economic loss or forfeiture of the related Mortgaged Property or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable.

(d) Original Terms Unmodified. The terms of the Note and Mortgage have not been impaired, waived, altered or modified in any respect, from the date of origination except by a written instrument which has been included as a part of the related Mortgage Asset File. No Mortgagor in respect of the Loan has been released, in whole or in material part in a manner which would materially interfere with the benefits of the security intended to be provided.

(e) No Rescission. No action has been taken that would give rise to any right of rescission, set-off, counterclaim or defense, including without limitation the defense of usury, nor will the operation of any of the terms of the Note or the Mortgage, or the exercise of any right thereunder, render either the Note or the Mortgage unenforceable, in whole or in part and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.

(f) Hazard Insurance. All buildings upon the Mortgaged Property are insured by an insurer generally acceptable to Fannie Mae or, if applicable, Freddie Mac, standards applicable at the time of origination of the related Mortgage Loan, against loss by fire, hazards of extended coverage and such other hazards required to be covered by Fannie Mae or, if applicable, Freddie Mac, and as are customary in the area where the Mortgaged Property is located, pursuant to insurance policies conforming to the requirements of Fannie Mae or, if applicable, Freddie Mac. All such insurance policies contain a standard mortgagee clause naming Seller, its successors and assigns as mortgagee and as loss payee and such clause is still in effect, and all premiums thereon have been paid. If the Mortgaged Property is in an area identified on a Flood Hazard Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available), a flood

insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect, which policy conforms to the requirements of Fannie Mae or, if applicable, Freddie Mac and issued by an insurer generally acceptable to Fannie Mae or, if applicable, Freddie Mac. Such flood insurance policy is in an amount representing coverage that meets the requirements of Fannie Mae or, if applicable, Freddie Mac. The Mortgage obligates Mortgagor thereunder to maintain all such insurance at Mortgagor's cost and expense, and on Mortgagor's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at Mortgagor's cost and expense and to seek reimbursement therefor from Mortgagor.

(g) Compliance with Applicable Laws. To the best of Seller's knowledge, at origination, each Loan complied with, or was exempt from, all applicable laws with respect to the origination of such Loan, including without limitation any laws with respect to usury.

(h) Reserved.

(i) Location and Type of Mortgaged Property. The Mortgaged Property is located in the state identified in the Loan Schedule and consists of a single parcel of real property with a detached single family residence erected thereon, or a two- to four-family dwelling, or an individual condominium unit in a condominium project, or an individual unit in a planned unit development or a de minimis planned unit development, provided, however, that any condominium unit or planned unit development shall conform with the applicable Fannie Mae and Freddie Mac requirements regarding such dwellings (other than conforming balance limitation), and that no residence or dwelling is a mobile home or a manufactured dwelling.

(j) Valid Lien. The Mortgage related to and delivered in connection with each Loan constitutes a valid and, subject to the exceptions set forth in (r) below, each related Mortgage Loan is secured by a valid and enforceable first lien position (subject to bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors rights generally or by equitable principles), which Mortgaged Property is free and clear of all encumbrances and liens having priority over the first lien of such Mortgage, except for (i) liens for real estate taxes and special assessments not yet delinquent, (ii) covenants, conditions and restrictions, rights-of-way, easements and other matters of public record as of the date of recording of such Mortgage, or such exceptions appearing of record being acceptable to mortgage lending institutions generally, and (iii) other matters to which like properties are commonly subject, which do not materially and adversely affect the value of the Mortgage Loan or interfere with the benefits of the security intended to be provided by such Mortgage.

(k) Validity of Mortgage Documents. The Note, the related Mortgage and all other documents executed in connection therewith are complete, genuine and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles affecting the enforcement of creditor's rights. All parties to the Note, the Mortgage and any other such related agreement had legal capacity to enter into the Loan and to execute and deliver the Note, the Mortgage and any such agreement, and the Note, the Mortgage and any other such related agreement have been duly and properly executed by such related parties. No fraud, error, negligence, omission, misrepresentation or similar occurrence with respect to a Loan has taken place on the part of any Person, including, without limitation, the

Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination of the Loan or in the application of any insurance in relation to such Loan.

(l) Reserved.

(m) Ownership. The applicable Trust is the sole owner and holder of the Loan.

(n) Doing Business. All parties which have had any interest in the Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) (i) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (ii) either (A) organized under the laws of such state, (B) qualified to do business in such state, (C) a federal savings and loan association, a savings bank or a national bank having a principal office in such state or (D) not doing business in such state.

(o) Reserved.

(p) Title Insurance. Except for any Loan secured by a Mortgaged Property located in a jurisdiction as to which an opinion of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received, the Loan is covered by an American Land Title Association lender's title insurance policy or other generally acceptable form of policy or insurance acceptable to Fannie Mae or, if applicable, Freddie Mac, issued by a title insurer acceptable to Fannie Mae or, if applicable, Freddie Mac, and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring (subject to the exceptions contained in clause (j)) Seller, its successors and assigns as to the first priority lien of the Mortgage in the original principal amount of the Loan. Additionally, such lender's title insurance policy affirmatively insures ingress and egress to and from the Mortgaged Property, and against encroachments by or upon the Mortgaged Property or any interest therein. Seller (and its successors and assigns) is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in full force and effect upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage, including Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy, including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other Person.

(q) No Defaults. To the Seller's knowledge, there exists no material default, breach, violation or event of acceleration under the Note or Mortgage for any Loan except as disclosed to Buyer. No Loan is subject to judicial or non-judicial foreclosure proceedings.

(r) No Mechanics' Liens. As of the date of origination and, to the Seller's knowledge, as of the initial Purchase Date, each Mortgaged Property securing a Loan (exclusive of any related personal property) is free and clear of any and all mechanics' and materialmen's liens that are prior or equal to the lien of the related Mortgage and that are not bonded or escrowed for or covered by title insurance; and, to the Seller's knowledge, no rights are

outstanding that under law could give rise to any such lien that would be prior or equal to the lien of the related Mortgage and that is not bonded or escrowed for or covered by title insurance.

(s) Location of Improvements; No Encroachments. To the Seller's knowledge (based solely on surveys (if any) and/or the lender's title policy obtained in connection with the origination of each Loan), as of the date of the origination of each Loan, (a) all of the improvements on the related Mortgaged Property considered material in determining the appraised value of the Mortgaged Property at origination lay wholly within the boundaries and, to the extent in effect at the time of construction, building restriction lines of such property, except for encroachments that are insured against by the lender's title insurance policy or that do not materially and adversely affect the value, marketability or current principal use of such Mortgaged Property, and (b) no improvements on adjoining properties encroached upon such Mortgaged Property so as to materially and adversely affect the value or marketability of such Mortgaged Property, except those encroachments that are insured against by the lender's title insurance policy referred to in (p) above.

(t) Reserved.

(u) Customary Provisions. The Loan Documents for each Loan, together with applicable state law, contain customary and, subject to the exceptions set forth in (k) above, enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the practical realization against the related Mortgaged Property of the principal benefits of the security intended to be provided thereby, including, without limitation, foreclosure or similar proceedings (as applicable for the jurisdiction where the related Mortgaged Property is located).

(v) Reserved.

(w) Occupancy of the Mortgaged Property. As of the Purchase Date, the Mortgaged Property was either vacant or lawfully occupied under applicable law. To the Seller's knowledge, all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities. Seller has not received written notification from any governmental authority that the Mortgaged Property is in material non-compliance with such laws or regulations, is being used, operated or occupied unlawfully or has failed to have or obtain such inspection, licenses or certificates, as the case may be. Seller has not received notice of any violation or failure to conform with any such law, ordinance, regulation, standard, license or certificate.

(x) No Additional Collateral. The Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in clause (j) above or other collateral assigned to the applicable Trust.

(y) Deeds of Trust. In the event the Mortgage constitutes a deed of trust, a trustee, authorized and duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or

will become payable by the applicable Custodian or Buyer to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

(z) Delivery of Mortgage Documents. The Note, the Mortgage, the Assignment of Mortgage and any other documents required to be delivered under the applicable Custodial Agreement for each Loan have been delivered to the applicable Custodian. The applicable Custodian is in possession of a complete Mortgage Asset File in compliance with the applicable Custodial Agreement.

(aa) Transfer of Loans. The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located.

(bb) Due-On-Sale. The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Loan in the event that the Mortgaged Property is sold or transferred (other than in accordance with the terms of the mortgage loan documents that have customary permitted transfers and assumption provisions) without the prior written consent of the mortgagee thereunder.

(cc) No Buydown Provisions; No Graduated Payments or Contingent Interests. The Loan does not contain provisions pursuant to which Monthly Payments are paid or partially paid with funds deposited in any separate account established by Seller, the Mortgagor, or anyone on behalf of the Mortgagor, or paid by any source other than the Mortgagor nor does it contain any other similar provisions which may constitute a "buydown" provision. The Loan is not a graduated payment mortgage loan and the Loan does not have a shared appreciation or other contingent interest feature.

(dd) Customary Remedies. The Mortgage and related Note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including, (a) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (b) otherwise by judicial foreclosure, subject, in each case, to any limitation arising from any bankruptcy, insolvency, or other law for the relief of debtors.

(ee) Mortgaged Property Undamaged. To the best of Seller's knowledge and in each case to the extent required by Fannie Mae and Freddie Mac, the Mortgaged Property is in good repair and undamaged by water, waste, fire, earthquake or earth movement, windstorm, hurricane, flood, tornado or other casualty so as to adversely affect the value of the Mortgaged Property as security for the Loan or the use for which the premises were intended or would render the property uninhabitable. There have not been any condemnation proceedings with respect to the Mortgaged Property and Seller has no knowledge of any such proceedings.

(ff) Collection Practices; Escrow Deposits: Interest Rate Adjustments. With respect to each Loan at all times while a Seller or the related Trust has owned such Loan, the servicing practices used with respect to each Loan have been in all material respects legal, proper, and prudent. With respect to each Loan during the period prior to a Seller or the related Trust owning such Loan, to Sellers' knowledge, the servicing practices used with respect to each Loan

have been in all material respects legal, proper and prudent. To Sellers' knowledge, the origination practices of the related originator of the Loan have been, in all material respects, legal and as of the date of its origination, such Loan complied in all material respects with, or was exempt from, all requirements of federal, state or local law relating to the origination of such Loan.

(gg) Reserved.

(hh) Other Insurance Policies. No action, inaction or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable special hazard insurance policy, private mortgage insurance policy or bankruptcy bond, irrespective of the cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by Seller or by any officer, director, or employee of Seller or any designee of Seller or any corporation in which Seller or any officer, director, or employee had a financial interest at the time of placement of such insurance.

(ii) Servicepersons' Civil Relief Act. The Mortgagor has not notified Seller, and Seller has no knowledge, of any relief requested or allowed to the Mortgagor under the Servicepersons' Civil Relief Act.

(jj) Appraisal. The Mortgage Asset File contains either (A) an appraisal of the related Mortgaged Property signed prior to the approval of the Loan application by a qualified appraiser, duly appointed by Seller or the related originator, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Loan, and the appraisal and appraiser both satisfy the requirements of Fannie Mae, Freddie Mac, Ginnie Mae, as applicable, and Title XI of the Federal Institutions Reform, Recovery, and Enforcement Act of 1989 as amended and the regulations promulgated thereunder, all as in effect on the date the Loan was originated or (B) another valuation model acceptable Buyer in its sole discretion.

(kk) Disclosure Materials. The Mortgagor has executed a statement to the effect that the Mortgagor has received all disclosure materials required by applicable law with respect to the making of adjustable rate mortgage loans, and Seller maintains such statement in the Mortgage Asset File.

(ll) Construction or Rehabilitation of Mortgaged Property. No Loan was made in connection with (A) the construction or rehabilitation of a Mortgaged Property or (B) facilitating the trade-in or exchange of a Mortgaged Property.

(mm) Reserved.

(nn) Capitalization of Interest. The Note does not by its terms provide for the capitalization or forbearance of interest.

(oo) No Equity Participation. No Loan contains any equity participation by the Mortgagee thereunder, is convertible by its terms into an equity ownership interest in the related Mortgaged Property or the related Mortgagor, provides for any contingent or additional interest

in the form of participation in the cash flow of the related Mortgaged Property, or provides for the negative amortization of interest.

(pp) Withdrawn Loans. If the Loan has been released to Seller pursuant to a Request for Release as permitted under the applicable Custodial Agreement, then the promissory note relating to the Loan was returned to Custodian within 10 days (or if such tenth day was not a Business Day, the next succeeding Business Day).

(qq) Reserved.

(rr) Reserved.

(ss) Mortgage Submitted for Recordation. The Mortgage has been submitted for recordation in the appropriate governmental recording office of the jurisdiction where the Mortgaged Property is located.

(tt) Reserved.

(uu) Environmental Matters. The Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal Environmental Law, rule or regulation.

(vv) Reserved.

(ww) Reserved.

(xx) HOEPA. No Loan is (a) subject to the provisions of the Homeownership and Equity Protection Act of 1994 as amended ("HOEPA"), (b) a "high cost" mortgage loan, "covered" mortgage loan, "high risk home" mortgage loan, or "predatory" mortgage loan or any other comparable term, no matter how defined under any federal, state or local law, (c) subject to any comparable federal, state or local statutes or regulations, or any other statute or regulation providing for heightened regulatory scrutiny or assignee liability to holders of such mortgage loans, or (d) a High Cost Loan or Covered Loan, as applicable (as such terms are defined in the current Standard & Poor's LEVELS® Glossary Revised, Appendix E).

(yy) No Predatory Lending. No predatory, abusive or deceptive lending practices, including but not limited to, the extension of credit to a mortgagor without regard for the mortgagor's ability to repay the Loan and the extension of credit to a mortgagor which has no tangible net benefit to the mortgagor, were employed in connection with the origination of the Loan.

(zz) Georgia Loans. No Loan which is secured by a Mortgaged Property which is located in the state of Georgia was originated prior to March 7, 2003.

(aaa) Reserved.

(bbb) Cooperative Loans. No Loan is a cooperative loan.

(ccc) Reserved.

(ddd) Interest Only Loans. No Loan is an interest only loan, except as disclosed to Buyer.

(eee) Reserved.

(fff) Reserved.

(ggg) Reverse Mortgage Loans. No Loan is a reverse mortgage loan.

(hhh) Negative Amortization Loans. No Loan provides for negative amortization.

(iii) Higher Priced Mortgage Loans. No Loans are "higher priced mortgage loans" as defined in 12 C.F.R. 226.35.

(jjj) Reserved.

(kkk) Reserved.

(lll) Reserved.

(mmm) USDA Loans. No Loan is a USDA Loan.

(nnn) Reserved.

(ooo) No Home Equity Lines of Credit. No Purchased Loan is a home equity line of credit, "HELOC" or closed end home equity loan.

(ppp) Cross-Collateralization. No Loan is cross-collateralized or cross-defaulted with any loan which is not owned by the same applicable Trust.

Schedule 2

FILING JURISDICTIONS AND OFFICES

State of Delaware

Schedule 3

TRUST SCHEDULE

Sch. 1-C-10

EXHIBIT A

RESERVED

EXHIBIT B-1

SELLERS' INDEBTEDNESS

Seller	Indebtedness
Sutherland Asset I, LLC	Master Repurchase Agreement, dated September 23, 2013, by and between Sutherland Asset I, LLC and Citibank, N.A. Security: CBASS 2007-MX1 A2 Rate: 1.944% Amount outstanding: $21,713,000
Waterfall Commercial Depositor LLC	None
ReadyCap Commercial, LLC	Third Amended and Restated Master Repurchase Agreement, dated February 14, 2017, among ReadyCap Commercial, LLC, Sutherland Warehouse Trust II, Sutherland Asset I, LLC, U.S. Bank National Association and Deutsche Bank AG, Cayman Islands Branch Amount outstanding as of March 31, 2017: $69,507,700 Warehousing Credit and Security Agreement, dated September 15, 2016, by and between ReadyCap Commercial, LLC and KeyBank National Association Amount outstanding as of March 31, 2017: $33,629,000 Uncommitted Master Repurchase Agreement, dated December 10, 2015, among ReadyCap Warehouse Financing, LLC, Sutherland Warehouse Trust and JPMorgan Chase Bank, National Association Amount outstanding as of March 31, 2017: $19,558,500

EXHIBIT B-2

LOAN SELLERS' SUBSIDIARIES

Sutherland Asset I, LLC

None

ReadyCap Commercial, LLC

ReadyCap Warehouse Financing, LLC

EXHIBIT C

FORM OF CONFIDENTIALITY AGREEMENT

In connection with your consideration of a possible or actual acquisition of a participating interest (the "Transaction") in an advance, note or commitment of Citibank, N.A. ("Buyer") pursuant to a Second Amended and Restated Master Repurchase Agreement among Buyer and Waterfall Commercial Depositor LLC (a "Seller"), ReadyCap Commercial, LLC (a "Seller") and Sutherland Asset I, LLC (a "Seller"; or together with Waterfall Commercial Depositor LLC and ReadyCap Commercial, LLC, the "Sellers") dated as of June 26, 2017, as amended, supplemented and otherwise modified from time to time, you have requested the right to review certain non-public information regarding Sellers that is in the possession of Buyer. In consideration of, and as a condition to, furnishing you with such information and any other information (whether communicated in writing or communicated orally) delivered to you by Buyer or its affiliates, directors, officers, employees, advisors, agents or "controlling persons" (within the meaning of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (such affiliates and other persons being herein referred to collectively as Buyer "Representatives") in connection with the consideration of a Transaction (such information being herein referred to as "Evaluation Material"), Buyer hereby requests your agreement as follows:

1. The Evaluation Material will be used solely for the purpose of evaluating a possible Transaction with Buyer involving you or your affiliates, and unless and until you have completed such Transaction pursuant to a definitive agreement between you or any such affiliate and Buyer, such Evaluation Material will be kept strictly confidential by you and your affiliates, directors, officers, employees, advisors, agents or controlling persons (such affiliates and other persons being herein referred to collectively as "your Representatives"), except that the Evaluation Material or portions thereof may be disclosed to those of your Representatives who need to know such information for the purpose of evaluating a possible Transaction with Buyer (it being understood that prior to such disclosure your Representatives will be informed of the confidential nature of the Evaluation Material and shall agree to be bound by this Agreement). You agree to be responsible for any breach of this Agreement by your Representatives.

2. The term "Evaluation Material" does not include any information which (i) at the time of disclosure or thereafter is generally known by the public (other than as a result of its disclosure by you or your Representatives) or (ii) was or becomes available to you on a nonconfidential basis from a person not otherwise bound by a confidential agreement with Buyer or its Representatives or is not otherwise prohibited from transmitting the information to you. As used in this Agreement, the term "person" shall be broadly interpreted to include, without limitation, any corporation, company, joint venture, partnership or individual.

3. In the event that you receive a request to disclose all or any part of the information contained in the Evaluation Material under the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction, you agree to (i) immediately notify Buyer and Seller of the existence, terms and circumstances surrounding such a request, (ii) consult with Seller on the advisability of taking legally

available steps to resist or narrow such request, and (iii) if disclosure of such information is required, exercise your best efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such information.

4. Unless otherwise required by law in the opinion of your counsel, neither you nor your Representative will, without our prior written consent, disclose to any person the fact that the Evaluation Material has been made available to you.

5. You agree not to initiate or maintain contact (except for those contacts made in the ordinary course of business) with any officer, director or employee of Seller regarding the business, operations, prospects or finances of Sellers or the employment of such officer, director or employee, except with the express written permission of Sellers.

6. You understand and acknowledge that Sellers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material or any other information provided to you by Buyer. None of Sellers, their affiliates or Representatives, nor any of their respective officers, directors, employees, agents or controlling persons (within the meaning of the 1934 Act) shall have any liability to you or any other person (including, without limitation, any of your Representatives) resulting from your use of the Evaluation Material.

7. You agree that none of Buyer or Sellers has granted you any license, copyright, or similar right with respect to any of the Evaluation Material or any other information provided to you by Buyer.

8. If you determine that you do not wish to proceed with the Transaction, you will promptly deliver to Buyer all of the Evaluation Material, including all copies and reproductions thereof in your possession or in the possession of any of your Representatives.

9. Without prejudice to the rights and remedies otherwise available to Sellers, Sellers shall be entitled to equitable relief by way of injunction if you or any of your Representatives breach or threaten to breach any of the provisions of this Agreement. You agree to waive, and to cause your Representatives to waive, any requirement for the securing or posting of any bond in connection with such remedy.

10. The validity and interpretation of this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be fully performed therein (excluding the conflicts of law rules). You submit to the jurisdiction of any court of the State of New York or the United States District Court for the Southern District of the State of New York for the purpose of any suit, action, or other proceeding arising out of this Agreement.

11. The benefits of this Agreement shall inure to the respective successors and assigns of the parties hereto, and the obligations and liabilities assumed in this Agreement by the parties hereto shall be binding upon the respective successors and assigns.

12. If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.

13. This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understandings relating to the matters provided for herein. No alteration, waiver, amendments, or change or supplement hereto shall be binding or effective unless the same is set forth in writing by a duly authorized representative of each party and may be modified or waived only by a separate letter executed by Seller and you expressly so modifying or waiving such Agreement.

14. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

15. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties.

Kindly execute and return one copy of this letter which will constitute our Agreement with respect to the subject matter of this letter.

CITIBANK, N.A.

By: _____

Confirmed and agreed to

this ____ day of _____, 2017.

By: _____
Name
Title:

EXHIBIT D

FORM OF SERVICER INSTRUCTION LETTER

[_____], 2017

[_____], as Servicer
[_____]
[_____]
Attention: [_____]

Re: Second Amended and Restated Master Repurchase Agreement, dated as of June 26, 2017, by and among Citibank, N.A., ("Buyer"), Waterfall Commercial Depositor, LLC ("Certificate Seller"), ReadyCap Commercial, LLC ("ReadyCap Loan Seller") and Sutherland Asset I, LLC ("Sutherland Loan Seller" and together with Certificate Seller and ReadyCap Loan Seller, each a "Seller" and collectively, the "Sellers")

Ladies and Gentlemen:

[_____], in its capacity as servicer ("Servicer" or "You") of those assets described on Schedule 1 hereto, which may be amended or updated from time to time (the "Purchased Loans") pursuant to that [servicing agreement, dated as of [_____], by and between You and the undersigned Seller], as amended or modified, attached hereto as Exhibit A (the " Servicing Agreement"), is hereby notified that the undersigned Seller has sold to Buyer such Purchased Loans, including, without limitation, the servicing rights appurtenant thereto, pursuant to that certain Second Amended and Restated Master Repurchase Agreement, dated as of June 26, 2017 (as amended, supplemented and otherwise modified from time to time, the "Agreement"), among Buyer and Sellers.

You agree to service the Purchased Loans in accordance with the terms of the Servicing Agreement for the benefit of Buyer and, except as otherwise provided herein, Buyer shall have all of the rights, but none of the duties or obligations of the undersigned Seller under the Servicing Agreement including, without limitation, any indemnification obligation or any reimbursement or payment obligations related to any servicing fees or any other fees. No subservicing relationship shall be hereby created between You and Buyer except as expressly provided herein upon notification from Buyer of the occurrence of an Event of Default.

Upon your receipt of written notification from Buyer that an Event of Default has occurred under the Agreement (the "Default Notice"), the undersigned Seller hereby instructs you as Servicer, and You hereby agree, to remit all payments or distributions made with respect to such Purchased Loans, net of the servicing fees or any other fees payable to You from amounts received on the Purchased Loans with respect thereto pursuant to the Servicing Agreement, immediately, in accordance with Buyer's wiring instructions provided below, or in accordance with other instructions that may be delivered to You by Buyer:

Bank: Citibank, N.A.
City: New York
ABA#: 021-000-089
A/C#: [_____]
Ref: Sutherland Asset I, LLC F/B/O Citibank, N.A. as Buyer

You agree that, following your receipt of such Default Notice, under no circumstances will You remit any such payments or distributions in accordance with any instructions delivered to You by the undersigned Seller, except if Buyer instructs You in writing otherwise. Further, notwithstanding anything contained in the Servicing Agreement to the contrary, upon notification from Buyer of the occurrence of an Event of Default, Servicer agrees not to make any Servicing Advances without the prior written consent of Buyer.

You further agree that, upon receipt of written notification from Buyer that an Event of Default has occurred under the Agreement, Buyer shall assume all of the rights and obligations of the undersigned Seller under the Servicing Agreement, except as otherwise provided herein. Subject to the terms of the Servicing Agreement, upon receipt of written notification from Buyer that an Event of Default has occurred under the Agreement, You shall (x) follow the instructions of Buyer with respect to the Purchased Loans and deliver to Buyer any information available to You with respect to the Purchased Loans reasonably requested by Buyer, and (y) treat this letter agreement as a separate and distinct servicing agreement between You and Buyer (incorporating the terms of the Servicing Agreement by reference), subject to no setoff or counterclaims arising in Your favor (or the favor of any third party claiming through You) under any other agreement or arrangement between You and the undersigned Seller or otherwise. Notwithstanding anything to the contrary herein or in the Servicing Agreement, in no event shall Buyer be liable for any fees, indemnities, costs, reimbursements or expenses incurred by You prior to such Event of Default or otherwise owed to You in respect of the period of time prior to such Event of Default.

Notwithstanding anything to the contrary herein or in the Servicing Agreement, You are hereby instructed to service each Purchased Loan for Buyer for a term of thirty (30) days (each, a "Servicing Term") commencing as of the date such Purchased Loan becomes subject to a purchase transaction under the Agreement, which Servicing Term shall be deemed to be renewed at the end of each 30-day period subject to the following sentence. The Servicing Term shall terminate upon the occurrence of any of the following events: (i) if the related purchase transaction is not renewed at the end of such Servicing Term and such Purchased Loan is not repurchased by the undersigned Seller, or (ii) upon receipt of written notification from Buyer that an Event of Default has occurred under the Agreement, You shall have received a written termination notice from Buyer at any time with respect to some or all of the Purchased Loans being serviced by You (each, a "Servicing Termination"). In the event of a Servicing Termination, You hereby agree to (i) deliver all servicing and "records" relating to such Purchased Loans to the designee of Buyer at the end of each such Servicing Term and (ii) cooperate in all respects with the transfer of servicing to Buyer or its designee. The transfer of servicing and such records by You shall be in accordance with customary standards in the industry and the terms of the Servicing Agreement and such transfer shall include the transfer of the gross amount of all escrows held for the related mortgagors. Notwithstanding anything herein to the contrary, Seller shall be responsible for any servicing release fees and other

amounts payable to the Servicer under the Servicing Agreement in connection with the termination of the Servicer.

Further, following any Servicing Termination solely with respect to the Purchased Loans that are subject to such Servicing Termination, You hereby constitute and appoint Buyer and any officer or agent thereof, with full power of substitution, as Your true and lawful attorney-in-fact with full irrevocable power and authority in Your place and stead and in Your name or in Buyer's own name, to direct any party liable for any payment under any such Purchased Loans to make payment of any and all moneys due or to become due thereunder directly to Buyer or as Buyer shall direct including, without limitation, the right to send "goodbye" and "hello" letters on Your behalf. You hereby ratify all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

For the purpose of the foregoing, the term "records" shall be deemed to include but not be limited to any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of such Purchased Loans.

Please acknowledge receipt of this instruction letter by signing in the signature block below and forwarding an executed copy to Buyer promptly upon receipt. Any notices to Buyer should be delivered to the following address: Citibank, N.A. 390 Greenwich Street, New York, NY 10013, Attention: Bobbie Theivakumaran, Facsimile No.: (646) 291-3799, Telephone No.: (212) 723-6753.

Very truly yours,

[SUTHERLAND ASSET I, LLC, as a Seller]

By: _____
Name:
Title:

[READYCAP COMMERCIAL, LLC, as a Seller]

By: _____
Name:
Title:

Acknowledged and Agreed as of this _____th day of _____, 2017:

[_____], as Servicer

By: _____
Name
Title:

CITIBANK, N.A., as Buyer

By: _____
Name
Title:

EXHIBIT E

FORM OF OWNER TRUSTEE INSTRUCTION LETTER

_____, as

_____

_____

Attention: _____

Re: Second Amended and Restated Master Repurchase Agreement, dated as of June 26, 2017, by and among CITIBANK, N.A., ("Buyer"), and WATERFALL COMMERCIAL DEPOSITOR LLC as a seller ("Seller"), READYCAP COMMERCIAL, LLC, as a seller, and SUTHERLAND ASSET I, LLC, as a seller

Ladies and Gentlemen:

Reference is hereby made to (i) a master trust agreement dated as of [_____] (as amended, restated, supplemented or otherwise modified from time to time, the "Master Trust Agreement") among the Seller, as depositor (the "Depositor"), [_____] ("[_____]"), as paying agent (in such capacity, the "Paying Agent") and as securities intermediary (in such capacity, the "Securities Intermediary"), and [_____], as owner trustee (the "Owner Trustee") and (ii) a series trust agreement dated as of [_____], in respect of the Trust (as amended, restated, supplemented or otherwise modified from time to time, the "Series [_] Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), among the Depositor, the Paying Agent, the Securities Intermediary and the Owner Trustee, the Trust issued a Trust Certificate evidencing 100% legal and beneficial interest in the Trust and the Contributed Assets (as defined in the Trust Agreement), including, without limitation, the Contributed SBC Loans held by the Trust (the "Trust Certificate") and (ii) the administrative agency agreement dated as of [_____] (as amended, restated, supplemented or otherwise modified from time to time, the "Administrative Agency Agreement") between the Depositor, Waterfall Asset Management, LLC, as trust's agent (the "Trust's Agent").

Pursuant to the Trust Agreement, the Depositor [will transfer][has transferred] certain mortgage loans listed on Schedule B attached hereto (the "Contributed SBC Loans") to [Trust Name], Series [_] (the "Trust") and the Trust will issue a certain trust certificate evidencing 100% legal and beneficial interest in the Trust (the "Trust Certificate").

The Trust, the Paying Agent, the Securities Intermediary, the Owner Trustee, the Custodian and the Trust's Agent are hereby notified that, as of the date hereof, the Seller has sold all of its right, title and interest in, to and under the Trust Certificate to the Buyer pursuant to the terms and conditions of the Repurchase Agreement.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Repurchase Agreement or the Trust Agreement, as applicable.

1. Obligations upon a Buyer Direction Notice. Upon receipt of a written notice from the Buyer of Buyer's determination that a default has occurred pursuant to the Repurchase Agreement and notifying the Owner Trustee of Buyer's intention to exercise its right to direct the Owner Trustee with respect to the Trust (a "Buyer Direction Notice"), each of the Seller (including in its capacity as Depositor under the Trust Agreement), the Paying Agent, the Trust, the Trust's Agent, the Custodian and the Owner Trustee hereby acknowledges and agrees that (i) the Seller (including in its capacity as Depositor under the Trust Agreement), the Paying Agent, the Trust, the Trust's Agent, the Custodian and the Owner Trustee, to the extent set forth in the Trust Agreement shall take the direction of the Buyer and no other Person with respect to the Contributed SBC Loans, and shall to deliver to the Buyer any information with respect to Trust reasonably requested by the Buyer, (ii) the Buyer shall be entitled to all of the rights of the Certificateholder under the Trust Agreement, and of the Depositor and the Trust's Agent under the Trust Agreement and the Administrative Agency Agreement, (iii) the Buyer may promptly terminate the Trust Agreement and unwind the Trust in accordance with the termination provisions in the Trust Agreement and (iv) the Seller (including in its capacity as Depositor under the Trust Agreement), the Paying Agent, the Trust, the Trust's Agent, the Custodian and the Owner Trustee shall, to the extent set forth in the Trust Agreement reasonably cooperate with the unwind of the Trust, and the transfer of the Contributed SBC Loans to the Buyer or the Buyer's designee, as may be directed by the Buyer, to the extent set forth in the Trust Agreement and, with respect to the Owner Trustee, as is consistent with the scope of its duties under the Trust Agreement.

Notwithstanding anything to the contrary herein or in the Trust Agreement or the Administrative Agency Agreement, in no event shall the Buyer be liable for any fees, indemnities, costs, reimbursements or expenses of the Seller (including in its capacity as Depositor under the Trust Agreement), the Paying Agent, the Trust, the Trust's Agent, the Custodian and the Owner Trustee incurred prior to the receipt of such Buyer Direction Notice and instead any fees indemnities, costs, reimbursements or expenses from such time shall remain the obligation of the Persons or other source specified in the Trust Agreement and the Administrative Agency Agreement, as applicable.

Notwithstanding any contrary information or direction which may be delivered to the Paying Agent, the Trust, the Trust's Agent, the Custodian and the Owner Trustee by the Seller (including in its capacity as Depositor or Certificateholder under the Trust Agreement), such Person may conclusively rely on a Buyer Direction Notice delivered by the Buyer and after delivery of such Buyer Direction Notice, such Person may conclusively rely on any information or direction delivered by the Buyer.

Upon receipt of a Buyer Direction Notice from the Buyer, (i) any provision of the Trust Agreement which allows the Owner Trustee, the Paying Agent or the Custodian to rely upon direction from the Depositor, the Trust's Agent or the Certificateholders shall apply to protect the Owner Trustee, the Paying Agent or the Custodian in relying on directions received from the Buyer (ii) to the extent the Owner Trustee has duties (including fiduciary duties) to the Certificateholders, such duties shall be eliminated and the Owner Trustee shall not be liable to

any Certificateholder for actions taken at the direction of the Buyer, (iii) all of the Owner Trustee's, the Paying Agent's or the Custodian's rights, protections, immunities and standard of care under the Trust Agreement shall apply to the Owner Trustee, the Paying Agent or the Custodian with respect to the Buyer and (iv) the Owner Trustee is authorized to execute on behalf of the Trust any documents requested in writing by the Buyer, including without limitation, any powers of attorney contemplated herein and any documents necessary to transfer the servicing of the Trust Assets to a successor servicer selected by the Buyer.

None of the Owner Trustee, the Paying Agent or the Custodian shall be required to expend or risk its own funds or otherwise incur any personal financial liability in taking any action at the direction of the Buyer hereunder or under the Trust Agreement if the Owner Trustee, the Paying Agent or the Custodian shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured or provided to it (as such and in its individual capacity).

2. Remittances. For so long as the Repurchase Agreement is in effect, notwithstanding that the Trust Certificate shall be registered in the name of the Seller, the Seller hereby irrevocably authorizes, directs and instructs the Paying Agent to distribute to the Buyer, as designee of the Seller, the distribution to be made in respect of the Trust Certificate on each Remittance Date pursuant to Section 4.02(d) of the Master Trust Agreement or otherwise. Such funds shall be distributed by wire transfer of immediately available funds in accordance with the instructions specified below:

Wire Transfer Instructions
Bank Name:
Address:
ABA Routing Number:
DDA Number:
Account Name:
Ref:
Attention:

3. Power of Attorney. In connection with any distribution in-kind, sale or other disposition of Contributed SBC Loans held by the Trust, the Trust hereby grants and furnishes to the Buyer a limited power of attorney (the "Power of Attorney"), which Power of Attorney shall be exercisable by the Buyer only after the Trust's receipt of a Buyer Direction Notice from the Buyer. The Trust shall be entitled to conclusively rely on such Buyer Direction Notice. In connection with such Power of Attorney, after delivery of a Buyer Direction Notice, the Trust agrees to enter into any other documents as provided to it that are necessary or appropriate to enable the Buyer to execute in the name of the Trust all documents reasonably required to perform such transfer on behalf of the Trust, including without limitation the execution in the name of the Trust of any bill of sale or other assignment document in connection therewith. The Trust shall have no responsibility for any action of the Buyer pursuant to such Power of Attorney or any related additional documentation and shall be indemnified by the Buyer for any cost, liability or expense incurred by the Trust in connection with the Buyer's misuse of such Power of Attorney. Once effective, such Power of Attorney shall continue until either the earlier of (i) receipt by the Buyer from the Trust of written termination of such Power of Attorney and (ii) the

termination of the Trust. In addition, upon the Trust's receipt of a Buyer Direction Notice from the Buyer, any power of attorney that may have been granted by the Trust to the Owner Trustee or the Trust's Agent pursuant to the Trust Agreement or the Administrative Agency Agreement shall terminate and be of no further force or effect, without any further action by the Trust, the Buyer or any other Person.

4. Amendment of Trust Agreement. Each of the Paying Agent and the Owner Trustee hereby agree not to consent to any amendment of the Trust Agreement unless the Depositor (in its capacity as Seller under the Repurchase Agreement) has obtained the written consent of the Buyer in respect of such proposed amendment and furnished a copy of such consent to each of the Paying Agent, the Securities Intermediary and the Owner Trustee.

5. Establishment of Collection Account. Except as required for deposit into the Collection Account in accordance with this paragraph, no amounts deposited into the Trust Account shall be removed without Buyer's prior written consent. The Owner Trustee shall follow the instructions of Buyer with respect to the Loans and deliver to Buyer any information with respect to the Loans reasonably requested by Buyer.

6. Owner Trustee Disclaimer. It is expressly understood and agreed by the parties hereto that solely in respect of the Trust (a) this Agreement is executed and delivered by [trustee], not individually or personally but solely as owner trustee of the applicable Trust, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Trust is made and intended not as personal representations, undertakings and agreements by [TRUSTEE] but made and intended for the purpose of binding only the Trust, (c) other than any express obligations of the Owner Trustee set forth hereunder, nothing herein contained shall be construed as creating any liability on [TRUSTEE], individually or personally, to perform any covenants, either expressed or implied, contained herein, all personal liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall [TRUSTEE], be personally liable for the payment of any indebtedness or expenses of the Trust or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trust under this Agreement or any other related document.

Very truly yours,

[SELLER]

By:

Name:
Title:

ACKNOWLEDGED:

[OWNER TRUSTEE]

_____,
By:
Name:
Title:
Telephone:
Facsimile:

EXHIBIT F

FORM OF [SELLER'S/GUARANTOR'S] OFFICER'S CERTIFICATE

[SELLER] [GUARANTOR]

I, _____, hereby certify that I am the duly elected Secretary of [Seller] [Guarantor], a _____ (the "Company"), and further certify, on behalf of the Company as follows:

1. Attached hereto as Annex I is a true and correct copy of the Certificate of Formation of the Company as is in full force and effect on the date hereof. Attached hereto as Annex II is a true and correct copy of the [partnership][trust] agreement of the Company as is in full force and effect on the date hereof. Attached hereto as Annex III is a Certificate of Good Standing of the Company, issued by the Secretary of the State of _____ dated [Date]. No event has occurred since the date of such good standing certificate which has affected the good standing of the Company under the laws of the state of [_____].

2. Each person who, as an officer or attorney-in-fact of the Company, signed (a) the Second Amended and Restated Master Repurchase Agreement (as amended, the "Repurchase Agreement"), dated as of June 26, 2017, by and between the [Company] and Citibank, N.A. ("Buyer"); (b) the Second Amended and Restated Pricing Side Letter (the "Pricing Side Letter"), dated June 26, 2017, executed by the Company and Buyer; and (c) any other document delivered prior hereto or on the date hereof in connection with the transactions contemplated in the Repurchase Agreement was, at the respective times of such signing and delivery, and is as of the date hereof, duly elected or appointed, qualified and acting as such officer or attorney-in-fact, and the signatures of such persons appearing on such documents are their genuine signatures.

3. Attached hereto as Annex IV is a true and correct copy of the resolutions duly adopted by the partners of the Company as of _____, 2017 (the "Resolutions") with respect to the authorization and approval of the transactions contemplated in the Repurchase Agreement; said Resolutions have not been amended, modified, annulled or revoked and are in full force and effect on the date hereof

4. Annex V attached hereto sets forth the names, titles, and specimen signatures of individuals who are duly elected, qualified and acting officers of the Company as of the date hereof, each of whom is authorized to execute and deliver on behalf of the Company, the Repurchase Agreement, the other Program Documents and any other agreements, documents, certificates or writings in connection therewith which are required of the Company to effect or evidence the Repurchase Agreement.

5. All of the representations and warranties of the Company contained in the Repurchase Agreement were true and correct in all material respects as of the date of the Repurchase Agreement and are true and correct in all material respects as of the date hereof.

6. Company has performed all of its duties and has satisfied all of the conditions on its part to be performed or satisfied pursuant to the Repurchase Agreement on or prior to the date hereof.

7. No Event of Default, nor any event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default under the Loan Agreement has occurred as of the date hereof.

8. There are no actions, suits or proceedings pending or, to my knowledge threatened, against or affecting the Company which, if adversely determined either individually or in the aggregate, would adversely affect the Company's obligations under the Program Documents. No proceedings that could result in the liquidation or dissolution of the Company are pending or contemplated.

All capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Repurchase Agreement.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Company.

Dated: _____

[Seal]

[SELLER][GUARANTOR]

By: _____
Name
Title

I _____, _____ of [Seller][Guarantor] hereby certify that _____ is the duly elected, qualified and action _____ of [Seller][Guarantor] and that the signature appearing above is the genuine signature of such person.

IN WITNESS WHEREOF, I have hereunto signed my name.

Dated: _____

[Seal]

[SELLER][GUARANTOR]

By: _____
Name
Title

Annex I
To Officer's Certificate

CERTIFICATE OF FORMATION

[See attached]

Annex II
To Officer's Certificate

LIMITED LIABILITY COMPANY AGREEMENT

[See attached]

Annex III
To Officer's Certificate

GOOD STANDING CERTIFICATE

[See attached]

Annex IV
To Officer's Certificate

RESOLUTIONS

[See attached]

Annex V
To Officer's Certificate

INCUMBENCY

Name	Office	Date	Signature

EXHIBIT G

FORM OF SECURITY RELEASE CERTIFICATION

[insert date]

Citibank, N.A.
390 Greenwich Street, 4th Floor
New York, New York 10013
Attention: _____

Re: Security Release Certification

Effective as of ____ [DATE] _____ [_____] hereby relinquishes any and all right, title and interest it may have in and to the Loans described in Exhibit A attached hereto upon the transfer thereof to the [Trust], as of the date and time of receipt by [_____] of **$** _____ for such Loans (the "Date and Time of Sale") and certifies that all notes, mortgages, assignments and other documents in its possession relating to such Loans have been delivered and released to Seller named below or its designees as of the Date and Time of Sale.

Name and Address of Lender:

[Custodian]
[ ]
For Credit Account No. [ ]
Attention: [ ]
Phone: [ ]
Further Credit – [ ]

[NAME OF WAREHOUSE LENDER]

By: _____
Name
Title

Seller named below hereby certifies to Buyer that, as of the Date and Time of Sale of the above mentioned Loans to Buyer, the security interests in the Loans released by the above named [corporation] comprise all security interests relating to or affecting any and all such Loans. Seller warrants that, as of such time, there are and will be no other security interests affecting any or all of such Loans.

[SELLER]

By: _____
Name
Title

EXHIBIT TO SECURITY RELEASE CERTIFICATION

[List of Loans]

EXHIBIT H

Notices

To the Sutherland Loan Seller:

SUTHERLAND ASSET I, LLC

Address for Notices:

c/o Waterfall Asset Management, LLC
1140 Avenue of the Americas, 7th Floor
New York, NY 10036
Attention: General Counsel
Email: knick@waterfallam.com
agupta@waterfallam.com
tgeraghty@waterfallam.com
skats@waterfallam.com
tpanagopoulos@waterfallam.com
cboardman@waterfallam.com
tsekelsky@waterfallam.com
bking@waterfallam.com

To the ReadyCap Loan Seller:

READYCAP COMMERCIAL, LLC

Address for Notices:

ReadyCap Commercial, LLC
1320 Greenway Dr. #560
Irving, TX 75038
Attention: Dawnyel Dishman / Anuj Gupta
Email: agupta@waterfallam.com
tgeraghty@waterfallam.com
skats@waterfallam.com
dawnyel.dishman@readycapcommercial.com
melissa.perez@readycapcommercial.com

To the Certificate Seller:

WATERFALL COMMERCIAL DEPOSITOR LLC

Address for Notices:

c/o Waterfall Asset Management, LLC
1140 Avenue of the Americas, 7th Floor
New York, NY 10036
Attention: General Counsel
Email: knick@waterfallam.com
agupta@waterfallam.com
tgeraghty@waterfallam.com
skats@waterfallam.com
tpanagopoulos@waterfallam.com
cboardman@waterfallam.com
tsekelsky@waterfallam.com
bking@waterfallam.com

To the Buyer:

CITIBANK, N.A.

Address for Notices:

390 Greenwich Street, 5th Floor
New York, New York 10013
Attention: Bobbie Theivakumaran
Telephone No.: (212) 723-6753
Fax No.: (646) 291-3799

EXHIBIT I

FORM OF POWER OF ATTORNEY (CERTIFICATE SELLER)

POWER OF ATTORNEY

WHEREAS, CITIBANK, N.A. ("Buyer"), WATERFALL COMMERCIAL DEPOSITOR LLC ("Certificate Seller"), READYCAP COMMERCIAL, LLC and SUTHERLAND ASSET I LLC have entered into the Second Amended and Restated Master Repurchase Agreement dated as of June 26, 2017 (as amended, restated, supplemented or otherwise modified, the "Repurchase Agreement") pursuant to which Buyer has agreed to provide financing from time to time with respect to certain securities and the related underlying mortgage loans (the "Assets") subject to the terms therein;

WHEREAS, Certificate Seller has agreed to give to Buyer a power of attorney on the terms and conditions contained herein in order for Buyer to take any action that Buyer may deem necessary or advisable to accomplish the purposes of the Repurchase Agreement;

NOW THEREFORE, Certificate Seller hereby irrevocably constitutes and appoints Buyer and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Certificate Seller and in the name of Certificate Seller or in its own name, from time to time in Buyer's discretion:

(i) in the name of Certificate Seller, or in its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Assets and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Buyer for the purpose of collecting any and all such moneys due with respect to any Assets whenever payable;

(ii) to pay or discharge taxes and liens levied or placed on or threatened against the Assets;

(iii) (A) to direct any party liable for any payment under any Assets to make payment of any and all moneys due or to become due thereunder directly to Buyer or as Buyer shall direct, including, without limitation, to send "goodbye" letters and Section 404 Notices on behalf of Certificate Seller and any applicable Servicer; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Assets; (C) to sign and endorse any invoices, assignments, verifications, notices and other documents in connection with any Assets; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Purchased Items or any proceeds thereof and to enforce any other right in respect of any Assets; (E) to

defend any suit, action or proceeding brought against Certificate Seller with respect to any Assets; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as Buyer may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any Assets as fully and completely as though Buyer were the absolute owner thereof for all purposes, and to do, at Buyer's option and Certificate Seller's expense, at any time, and from time to time, all acts and things which Buyer deems necessary to protect, preserve or realize upon the Assets and Buyer's Liens thereon and to effect the intent of the Repurchase Agreement, all as fully and effectively as Certificate Seller might do;

(iv) for the purpose of effecting the transfer of servicing with respect to the Assets from Certificate Seller and any applicable Servicer to a successor servicer appointed by Buyer in its sole discretion and to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish such transfer of servicing, and, without limiting the generality of the foregoing, Certificate Seller hereby gives Buyer the power and right, on behalf of Certificate Seller, without assent by Certificate Seller, to, in the name of Certificate Seller or its own name, or otherwise, prepare and send or cause to be sent "good-bye" letters and Section 404 Notices on behalf of Certificate Seller and any applicable Servicer in connection with such transfer of servicing;

(v) for the purpose of delivering any notices of sale to mortgagors or other third parties, including without limitation, those required by law; and

(vi) to direct the owner trustee and paying agent to take any action permitted to be taken upon direction from Certificate Seller, as depositor, under (i) the Master Trust Agreement dated as of January 31, 2012 by and between the Certificate Seller as depositor, Wells Fargo Bank, National Association as paying agent and securities administrator and U.S. Bank Trust National Association as owner trustee and (ii) the Series Trust Agreement, dated February 10, 2012 by and between Certificate Seller as depositor, Wells Fargo Bank, National Association as paying agent and securities intermediary, and U.S. Bank Trust National Association as owner trustee, in each case as such agreements may be amended from time to time in accordance with their respective terms.

Certificate Seller hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

Certificate Seller also authorizes Buyer, from time to time, to execute, in connection with any sale, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Assets.

The powers conferred on Buyer hereunder are solely to protect Buyer's interests in the Assets and shall not impose any duty upon it to exercise any such powers. Buyer shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Certificate Seller for any act or failure to act hereunder, except for its or their own gross negligence or willful misconduct.

IN ORDER TO INDUCE ANY THIRD PARTY TO ACT HEREUNDER, CERTIFICATE SELLER HEREBY AGREES THAT ANY THIRD PARTY RECEIVING A DULY EXECUTED COPY OR FACSIMILE OF THIS INSTRUMENT MAY ACT HEREUNDER, AND THAT REVOCATION OR TERMINATION HEREOF SHALL BE INEFFECTIVE AS TO SUCH THIRD PARTY UNLESS AND UNTIL ACTUAL NOTICE OR KNOWLEDGE OF SUCH REVOCATION OR TERMINATION SHALL HAVE BEEN RECEIVED BY SUCH THIRD PARTY, AND CERTIFICATE SELLER ON ITS OWN BEHALF AND ON BEHALF OF CERTIFICATE SELLER'S ASSIGNS, HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS ANY SUCH THIRD PARTY FROM AND AGAINST ANY AND ALL CLAIMS THAT MAY ARISE AGAINST SUCH THIRD PARTY BY REASON OF SUCH THIRD PARTY HAVING RELIED ON THE PROVISIONS OF THIS INSTRUMENT.

IN WITNESS WHEREOF Certificate Seller has caused this Power of Attorney to be duly executed and Certificate Seller's seal to be affixed this ____ day of _____, 2017.

WATERFALL COMMERCIAL DEPOSITOR LLC,
as Certificate Seller

By: _____
Name
Title

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____, 2017 before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known to me to be _____ of Waterfall Commercial Depositor LLC, the institution that executed the within instrument and also known to me to be the person who executed it on behalf of said corporation, and acknowledged to me that such corporation executed the within instrument.

IN WITNESS WHEREOF, I have hereunto set my hand affixed my office seal the day and year in this certificate first above written.

_____
Notary Public

My Commission expires _____

EXHIBIT J

FORM OF POWER OF ATTORNEY (LOAN SELLER)

POWER OF ATTORNEY

WHEREAS, CITIBANK, N.A. ("Buyer"), WATERFALL COMMERCIAL DEPOSITOR LLC and [SUTHERLAND ASSET I, LLC][READYCAP COMMERCIAL, LLC] ("Loan Seller") have entered into the Second Amended and Restated Master Repurchase Agreement dated as of June 26, 2017 (as amended, restated, supplemented or otherwise modified, the "Repurchase Agreement") pursuant to which Buyer has agreed to provide financing from time to time with respect to certain mortgage loans (the "Assets") subject to the terms therein;

WHEREAS, Loan Seller has agreed to give to Buyer a power of attorney on the terms and conditions contained herein in order for Buyer to take any action that Buyer may deem necessary or advisable to accomplish the purposes of the Repurchase Agreement;

NOW THEREFORE, Loan Seller hereby irrevocably constitutes and appoints Buyer and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Loan Seller and in the name of Loan Seller or in its own name, from time to time in Buyer's discretion:

(i) in the name of Loan Seller, or in its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Assets and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Buyer for the purpose of collecting any and all such moneys due with respect to any Assets whenever payable;

(ii) to pay or discharge taxes and liens levied or placed on or threatened against the Assets;

(iii) (A) to direct any party liable for any payment under any Assets to make payment of any and all moneys due or to become due thereunder directly to Buyer or as Buyer shall direct, including, without limitation, to send "goodbye" letters and Section 404 Notices on behalf of Loan Seller and any applicable Servicer; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Assets; (C) to sign and endorse any invoices, assignments, verifications, notices and other documents in connection with any Assets; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Purchased Items or any proceeds thereof and to enforce any other right in respect of any Assets; (E) to defend any suit, action or proceeding brought against Loan Seller with

respect to any Assets; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as Buyer may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any Assets as fully and completely as though Buyer were the absolute owner thereof for all purposes, and to do, at Buyer's option and Loan Seller's expense, at any time, and from time to time, all acts and things which Buyer deems necessary to protect, preserve or realize upon the Assets and Buyer's Liens thereon and to effect the intent of the Repurchase Agreement, all as fully and effectively as Loan Seller might do;

(iv) for the purpose of effecting the transfer of servicing with respect to the Assets from Loan Seller and any applicable Servicer to a successor servicer appointed by Buyer in its sole discretion and to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish such transfer of servicing, and, without limiting the generality of the foregoing, Loan Seller hereby gives Buyer the power and right, on behalf of Loan Seller, without assent by Loan Seller, to, in the name of Loan Seller or its own name, or otherwise, prepare and send or cause to be sent "good-bye" letters and Section 404 Notices on behalf of Loan Seller and any applicable Servicer in connection with such transfer of servicing; and

(v) for the purpose of delivering any notices of sale to mortgagors or other third parties, including without limitation, those required by law.

Loan Seller hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

Loan Seller also authorizes Buyer, from time to time, to execute, in connection with any sale, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Assets.

The powers conferred on Buyer hereunder are solely to protect Buyer's interests in the Assets and shall not impose any duty upon it to exercise any such powers. Buyer shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Loan Seller for any act or failure to act hereunder, except for its or their own gross negligence or willful misconduct.

IN ORDER TO INDUCE ANY THIRD PARTY TO ACT HEREUNDER, LOAN SELLER HEREBY AGREES THAT ANY THIRD PARTY RECEIVING A DULY EXECUTED COPY OR FACSIMILE OF THIS INSTRUMENT MAY ACT HEREUNDER, AND THAT REVOCATION OR TERMINATION HEREOF SHALL BE INEFFECTIVE AS TO SUCH THIRD PARTY UNLESS AND UNTIL ACTUAL NOTICE OR KNOWLEDGE OF

SUCH REVOCATION OR TERMINATION SHALL HAVE BEEN RECEIVED BY SUCH THIRD PARTY, AND LOAN SELLER ON ITS OWN BEHALF AND ON BEHALF OF LOAN SELLER'S ASSIGNS, HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS ANY SUCH THIRD PARTY FROM AND AGAINST ANY AND ALL CLAIMS THAT MAY ARISE AGAINST SUCH THIRD PARTY BY REASON OF SUCH THIRD PARTY HAVING RELIED ON THE PROVISIONS OF THIS INSTRUMENT.

IN WITNESS WHEREOF Loan Seller has caused this Power of Attorney to be duly executed and Loan Seller's seal to be affixed this ____ day of _____, 2017.

[SUTHERLAND ASSET I, LLC][READYCAP COMMERCIAL, LLC],
as Loan Seller

By: _____
Name
Title

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____, 2017 before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known to me to be _____ of [Sutherland Asset I, LLC][ReadyCap Commercial, LLC], the institution that executed the within instrument and also known to me to be the person who executed it on behalf of said corporation, and acknowledged to me that such corporation executed the within instrument.

IN WITNESS WHEREOF, I have hereunto set my hand affixed my office seal the day and year in this certificate first above written.

_____
Notary Public

My Commission expires _____

Exhibit 10.2

EXECUTION VERSION

AMENDED AND RESTATED MASTER LOAN AND SECURITY AGREEMENT

Dated as of June 30, 2016

READYCAP LENDING, LLC,

as Borrower

SUTHERLAND ASSET MANAGEMENT CORPORATION,

as Guarantor

and

JPMORGAN CHASE BANK, N.A., as Lender

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SCHEDULES

EXHIBITS

AMENDED AND RESTATED MASTER LOAN AND SECURITY AGREEMENT

AMENDED AND RESTATED MASTER LOAN AND SECURITY AGREEMENT, dated as of June 30, 2016, among **READYCAP LENDING, LLC**, a Delaware limited liability company ("Borrower"), **SUTHERLAND ASSET MANAGEMENT CORPORATION**, a Maryland corporation (the "Guarantor") and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITALS

WHEREAS, Borrower, Sutherland Asset I, LLC, a Delaware limited liability company ("Sutherland"), Guarantor and Lender are parties to that certain Master Loan and Security Agreement, dated as of June 27, 2014, as amended by Amendment No. 1 to Master Loan and Security Agreement, Amendment No. 2 to Master Loan and Security Agreement, Amendment No. 3 to Master Loan and Security Agreement, Amendment No. 4 to Master Loan and Security Agreement, Amendment No. 5 to Master Loan and Security Agreement, Amendment No. 6 to Master Loan and Security Agreement, Amendment No. 7 to Master Loan and Security Agreement, Amendment No. 8 to Master Loan and Security Agreement, Amendment No. 9 to Master Loan and Security Agreement and Amendment No. 10 to Master Loan and Security Agreement (the "Existing Loan Agreement").

WHEREAS, Sutherland desires to be removed as a Borrower from this Loan Agreement;

WHEREAS, Borrower has requested that the Lender continue to make loans to finance certain Eligible Assets (as defined below) that have been or will be acquired by Borrower (collectively, the "Financed Assets");

WHEREAS, the Lender has agreed, subject to the terms and conditions of this Loan Agreement (as defined below), to provide such loans;

WHEREAS, as a condition to making loans to Borrower, Lender has required Guarantor to guaranty the obligations hereunder;

WHEREAS, Borrower, Guarantor and Lender hereby agree to amend and restate the Existing Loan Agreement, subject to the terms and conditions set forth herein, by the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the mutual provision and agreements made herein, the parties, intending to be legally bound, hereby agree as follows:

Section 1. Definitions and Accounting Matters.

1.01 Certain Defined Terms. As used herein, the following terms have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Loan Agreement in the singular to have the same meanings when used in the plural and vice versa):

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"2016 Guarantor Merger" shall mean the merger of Guarantor pursuant to the terms and conditions of the 2016 Guarantor Agreement and Plan of Merger.

"2016 Guarantor Agreement and Plan of Merger" shall mean that certain Agreement and Plan of Merger dated as of April 6, 2016, by and among ZAIS Financial Corp., ZAIS Financial Partners, L.P., ZAIS Merger Sub, LLC, Guarantor and Sutherland Partners, L.P., as in effect on the Effective Date.

"Acquisition Cost" shall mean the cost to the Borrower to acquire an SBA Loan.

"Advance(s)" shall mean a loan made by the Lender to Borrower pursuant to Section 2.01 hereof.

"Advance Amount" shall mean the Collateral Value of each Financed Asset on the Advance Date as such Advance Amount may be reduced from time to time in accordance with this Loan Agreement.

"Advance Date" shall mean the applicable date of an Advance.

"Advance Rate Percentage" shall mean the applicable percentage listed opposite the Type of Eligible Asset as set forth below:

Type of Eligible Asset	Percentage for such Eligible Assets
Performing SBA 7(a) New Origination Guaranteed Loans	95%
Performing SBA 7(a) New Origination Unguaranteed Loans	70%
Performing SBA 7(a) Acquired Loans	75%
Performing SMP Loans	70%
Non-Performing SBA 7(a)/Non-Performing SMP Acquired Loans	55%

"Affiliate" shall mean with respect to any Person, any "affiliate" of such Person, as such term is defined in the Bankruptcy Code.

"Anti-Money Laundering Laws" shall have the meaning set forth in Section 6.27 hereof.

"Applicable Margin" shall mean three and one-half percent (3.50%) per annum.

"Applicable Sublimit" shall mean the amount listed opposite the Type of Eligible Asset as set forth below:

Type of Eligible Asset	Percentage based upon the Maximum Facility Amount or Dollar Sublimit for such Eligible Assets
Performing SBA 7(a) New Origination Guaranteed Loans	100%
Performing SBA 7(a) New Origination Unguaranteed Loans	50%
Performing SBA 7(a) Acquired Loans	100%
Performing SMP Loans	$20,000,000
Non-Performing SBA 7(a)/Non-Performing SMP Acquired Loans	10%

"Appraisal" shall mean, with respect to each Pledged Real Estate, an appraisal of the related Pledged Real Estate conducted by an Independent Appraiser in accordance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, and, in addition, certified by such Independent Appraiser as having been prepared in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

"Asset File" shall mean the asset file as set forth on Exhibit E.

"Asset Schedule" shall mean a schedule of Eligible Assets containing the following information with respect to each Eligible Asset, to be delivered by the Borrower to the Lender pursuant to Section 2.03(a) hereof as listed on Schedule 5.

"Asset Tape" shall mean have the meaning assigned thereto in Section 7.21 hereof.

"Assets" shall mean any SBA 7(a) Loan and any SBA 7(a) Loan Participation as identified in the Asset Schedule.

"Assignment and Acceptance" shall have the meaning set forth in Section 15.01.

"Bank" shall mean JPMorgan Chase Bank, N.A., in its capacity as bank with respect to the Collection Account Control Agreement.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, as amended from time to time.

"Borrower" shall have the meaning set forth in the preamble hereto.

"Borrower Party" shall have the meaning set forth in Section 11.01 hereof.

"Borrowing Base" shall mean, at any time, the aggregate Collateral Value of all Eligible Assets.

"Borrowing Base Deficiency" shall mean, at any time, the sum, without duplication, of (i) the amount by which the Maximum Facility Amount exceeds the Borrowing Base, (ii) the amount by which the aggregate outstanding principal balance of the Type of Eligible Assets exceeds the Applicable Sublimit for such Type of Eligible Assets, and/or (iii) the amount by which the Advances exceeds the Maximum Facility Amount.

"Business Day" shall mean a day other than (i) a Saturday or Sunday, (ii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the State of New York or (iii) any day on which the New York Stock Exchange is closed.

"Capital Lease Obligations" shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Loan Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Cash Equivalents" shall mean (a) securities with maturities of 90 days or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of 90 days or less from the date of acquisition and overnight bank deposits of any commercial bank, which commercial bank is organized under the laws of the United States of America or any state thereof, having capital and surplus in excess of $500,000,000, and rated at least A-1 by S&P and P-1 by Moody's, (c) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition and (d) commercial paper (having original maturities of not more than 91 days) of JPMorgan Chase & Co., but not its Affiliates provided that the commercial paper is United States Dollar denominated and amounts payable thereunder are not subject to any withholding imposed by any non-United States jurisdiction and is not issued by an asset backed commercial paper conduit or structured investment vehicle.

"Change in Control" shall mean:

(a) any transaction or event as a result of which the Guarantor ceases to own, directly or indirectly 100% of the limited liability company interests of Borrower; or

(b) the sale, transfer, or other disposition of all or substantially all of any Loan Party's assets (excluding any such action taken in connection with any securitization transaction); or

(c) (i) on or before the consummation of the 2016 Guarantor Merger, the consummation of a merger or consolidation of any Loan Party with or into another entity

or any other corporate reorganization (in one transaction or in a series of transactions), if more than fifty-one percent (51%) of the combined voting power of the continuing or surviving entity's stock outstanding immediately after such merger, consolidation or such other reorganization is owned by persons who were not stockholders of such Loan Party immediately prior to such merger, consolidation or other reorganization and (ii) after the consummation of the 2016 Guarantor Merger, the acquisition by any Person or group (within the meaning of the 1934 Act and the rules of the Securities and Exchange Commission thereunder), directly or indirectly, beneficially or of record, of ownership or control of in excess of fifty-one percent (51%) of the voting common stock of Guarantor on a fully diluted basis at any time; or

(d) there is a change in the majority of the board of managers of any Loan Party during any twelve month period.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning set forth in Section 4.01(b) hereof.

"Collateral Confirm" shall have the meaning set forth in the Custodial Agreement.

"Collateral Value" shall mean with respect to each Pledged Asset or portion thereof:

(a) with respect to Performing Eligible Assets and Non-Performing Eligible Assets, the Advance Rate Percentage applicable to such Type of Performing Eligible Asset or Non-Performing Eligible Asset multiplied by the least of (x) the Borrower's Acquisition Cost, (y) the Market Value, as determined by the Lender and (z) the unpaid principal balance of such Performing Eligible Asset or Non-Performing Eligible Asset;

(b) with respect to Participation Interests, the amount obtained pursuant to clause (a) above shall (without duplication) be multiplied by the related Participation Percentage;

(c) the Collateral Value of each Type of Eligible Asset shall not exceed the related Applicable Sublimit for such Type of Eligible Asset;

(d) the Collateral Value shall be deemed to be zero with respect to each Pledged Asset (1) in respect of which there is a breach of a representation and warranty set forth on Schedule 1-A or Schedule 1-B (assuming each representation and warranty is made as of the date Collateral Value is determined); and

(e) in addition, the Collateral Value shall be deemed to be zero with respect to (1) each SBA 7(a) Loan pledged hereunder (x) with respect to which the SBA repudiates or, if not resolved within three (3) Business Days, challenges or otherwise calls into question its obligations under the SBA Guaranty Agreement or the related SBA Authorization and Loan Agreement, or (y) in respect of which the SBA 7(a) Loan Note has been released from the possession of the FTA in excess of 10 calendar days, (2) with respect to any other Pledged Asset pledged hereunder with respect to which the Obligor challenges, repudiates or otherwise calls into question its obligations or (3) with respect to

each SBA Loan pledged hereunder, if the Borrower fails to deliver assignments in blank to the Custodian within one hundred and twenty (120) days of the Advance Date with respect to such SBA Loan pledged hereunder; provided further that the Collateral Value shall be adjusted as further set forth on Exhibit E with respect to Critical Exceptions and Fatal Exceptions.

"Collection Account" shall mean a deposit account (the title of which shall indicate that the funds therein are being held in trust for the Lender) into which Borrower shall deposit Income (other than, for the avoidance of doubt, any amounts payable to the SBA or to the FTA pursuant to the Multiparty Agreements) with a financial institution acceptable to the Lender and subject to the Collection Account Control Agreement.

"Collection Account Control Agreement" shall mean an amended and restated letter agreement among Borrower, the Lender and the Bank, in form and substance reasonably acceptable to the Lender, as the same may be amended from time to time.

"Competitors" shall mean competitors of the Borrower, as set forth on Schedule 4.

"Condemnation Proceeds" shall mean all awards or settlements in respect of a Pledged Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation, to the extent not required to be released to an Obligor in accordance with the terms of the related Asset File.

"Confidential Information" shall have the meaning set forth in Section 23.02 hereof.

"Confidential Terms" shall have the meaning set forth in Section 23.01 hereof.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"Costs" shall have the meaning set forth in Section 11.01 hereof.

"Critical Exception" shall mean the exceptions identified as such in the Asset File definition set forth on Exhibit E.

"Custodial Agreement" shall mean, collectively or individually, (a) that certain Amended and Restated Custodial Agreement dated as of June 30, 2016, by and among the Borrower, the Lender, and The Bank of New York Mellon Trust Company, N.A., and (b) that certain Amended and Restated Custodial Agreement dated as of June 30, 2016, by and among Borrower, the Lender and Wells Fargo Bank, N.A., in each case, as the same may be amended, supplemented or otherwise modified from time to time, as the context may require.

"Custodian" shall mean, collectively or individually, (a) The Bank of New York Mellon Trust Company, N.A. and (b) Wells Fargo Bank, N.A., in each case, as custodian under the applicable Custodial Agreement, or such other custodian as determined in accordance with the applicable Custodial Agreement, as the context may require.

"Default" shall mean an Event of Default or an event that with notice or lapse of time or both would become an Event of Default.

"Default Rate" shall mean in respect of any principal of any Advance or any other amount under this Loan Agreement, the Note or any other Loan Document that is not paid when due to the Lender (whether at stated maturity, by acceleration, by optional or mandatory prepayment or otherwise), a rate per annum during the period from and including the due date to but excluding the date on which such amount is paid in full equal to (a) the LIBOR Rate plus (b) the Applicable Margin plus (c) three percent (3%) per annum.

"Determination Date" shall mean the applicable date on which an Eligible Asset is funded under this Loan Agreement and thereafter as of the date of the most recent Remittance Report.

"Distribution" shall mean, for any Person, any dividends (other than dividend payable solely in common stock), distributions, return of capital to any stockholders, general or limited partners or members, other payments, distributions or delivery of property or cash to stockholders, general or limited partners or members, or any redemption, retirement, purchase or other acquisition, directly or indirectly, of any shares of any class of capital stock now or hereafter outstanding (or any options or warrants issued with respect to capital stock) general or limited partnership interest, or the setting aside of any funds for the foregoing; provided, however, that this shall not include payments in consideration of the delivery of goods and services provided that such goods and services are in the ordinary course of the Person's business and are provided upon fair and reasonable terms no less favorable to the Person than it would obtain in a comparable arm's length transaction with another Person which is not a stockholder, general partner or limited partner, or member.

"Dollars" and "$" shall mean lawful money of the United States of America.

"Due Diligence Review" shall mean the performance by the Lender or its designee of any or all of the reviews permitted under Section 14 hereof with respect to any or all of the SBA Loans, as desired by the Lender from time to time.

"Effective Date" shall mean the date upon which the conditions precedent set forth in Section 5.01 shall have been satisfied.

"Eligible Asset" shall mean an Asset which (i) is pledged to the Lender, (ii) is not otherwise assigned a zero value under the definition of Collateral Value, (iii) as to which the representations and warranties in Section 6.29 and Schedule 1-A and Schedule 1-B hereof are true and correct, (iv) was originated by an Originator and/or acquired by the Borrower in the ordinary course of business, (v) is not subject to a Fatal Exception, (vi) is not subject to an Environmental Issue, (vii) is not contractually delinquent, except with respect to a Non- Performing SBA 7(a)/Non-Performing SMP Acquired Loan and (viii) with respect to Participation Interests (A) is approved by the Lender in its sole discretion, (B) is registered in the name of the Borrower, (C) is delivered with appropriate transfer documents executed by the Borrower (which shall not be delivered by the Lender for re-registration unless an Event of Default shall have occurred and (D) for which any consent to transfer such Participation Interest to the Lender or any successor shall be delivered in form and substance acceptable to the Lender.

"Environmental Assessment" shall mean with respect to any SBA Loan, an environmental assessment conducted by a third-party environmental firm mutually acceptable to Borrower and Lender, which shall include, without limitation VERAcheck Environmental Risk Advisory, Inc. and Environmental Services, Inc.

"Environmental Issue" shall mean with respect to any SBA Loan, (a) as determined by the Lender in its good faith discretion, the violation of any federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or hazardous substances, materials or other pollutants, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. § 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 *et seq*. and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; and any state and local or foreign analogues, counterparts or equivalents, in each case as amended from time to time, which adversely affects the value of such SBA Loan or (b) as determined by Lender in consultation with Borrower after review of an Environmental Assessment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor thereto, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" shall mean any Person which, together with Borrower or Guarantor is treated, as a single employer under Section 414(b) or (c) of the Code or solely for purposes of Section 302 of ERISA and Section 412 of the Code is treated as a single employer described in Section 414 of the Code.

"Event of Default" shall have the meaning set forth in Section 8 hereof.

"Event of ERISA Termination" shall mean (i) with respect to any Plan, a reportable event, as defined in Section 4043 of ERISA, as to which the PBGC has not by regulation waived the reporting of the occurrence of such event, or (ii) the withdrawal of Borrower or any ERISA Affiliate thereof from a Plan during a plan year in which it is a substantial employer, as defined in Section 4001(a)(2) of ERISA, or (iii) the failure by Borrower or any ERISA Affiliate thereof to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA with respect to any Plan, including, without limitation, the failure to make on or before its due date a required installment under Section 430 (j) of the Code or Section 303(j) of ERISA, or (iv) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by Borrower or any ERISA Affiliate thereof to terminate any Plan, or (v) the failure to meet the requirements of Section 436 of the Code resulting in the loss of qualified status under Section 401(a)(29) of the Code, or (vi) the institution by the PBGC of proceedings under Section 4042 of

ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (vii) the receipt by Borrower or any ERISA Affiliate thereof of a notice from a Multiemployer Plan that action of the type described in the previous clause (vi) has been taken by the PBGC with respect to such Multiemployer Plan, or (viii) any event or circumstance exists which may reasonably be expected to constitute grounds for Borrower or any ERISA Affiliate thereof to incur liability under Title IV of ERISA or under Sections 412(b) or 430 (k) of the Code with respect to any Plan.

"Excluded Taxes" shall have the meaning set forth in Section 2.10(e) hereof.

"Existing Loan Agreement" shall have the meaning set forth in the recitals hereto.

"Facility Fee" shall mean one-quarter of one percent (0.25%) of the Maximum Facility Amount which shall be paid by the Borrower to the Lender in equal monthly payments commencing on June 30, 2016, and continuing on the 30th day of each month thereafter, until the Termination Date.

"Fatal Exception" shall mean the exceptions identified as such in the Asset File definition set forth on Exhibit E.

"Fidelity Insurance" shall mean insurance coverage with respect to employee errors, omissions, dishonesty, forgery, theft, disappearance and destruction, robbery and safe burglary, property (other than money and securities) and computer fraud in an aggregate amount acceptable to the Lender.

"Financed Assets" shall have the meaning set forth in recitals hereof.

"Financial Statements" shall mean those documents delivered pursuant to Section 7.04 hereof.

"Franchise" shall mean the franchise business of the Obligor, as more fully described in the Franchise Agreement, and the Obligor's rights thereunder.

"Franchise Agreement" shall mean the agreement setting forth the rights and obligations of the Obligor with respect to the Franchise granted therein.

"FTA" shall mean Colson Services Corp., or any successor under the Multiparty Agreements appointed by the SBA.

"Funding Date" shall mean the date on which an Advance is made hereunder.

"GAAP" shall mean generally accepted accounting principles in the United States of America, applied on a consistent basis and applied to both classification of items and amounts, and shall include, without limitation, the official interpretations thereof by the Financial Accounting Standards Board, its predecessors and successors.

"GLB Act" shall have the meaning set forth in Section 23.02.

"Governmental Authority" shall mean any nation or government, any state, county, municipality or other political subdivision thereof or any governmental body, agency, authority, department or commission (including, without limitation, any taxing authority) or any instrumentality or officer of any of the foregoing (including, without limitation, any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned by or controlled by the foregoing.

"Guarantee" shall mean, as to any Person, any obligation of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, by agreement to keep- well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms "Guarantee" and "Guaranteed" used as verbs shall have correlative meanings.

"Guaranteed Portion" shall mean, as to any SBA 7(a) Loan or SBA 7(a) Loan Participation therein, the portion of the principal balance thereof together with interest thereon at a per annum rate in effect from time to time guaranteed by the SBA in accordance with the terms of the SBA Guaranty Agreement, the related SBA Authorization and Loan Agreement, and SBA Rules and Regulations.

"Guarantor" shall have the meaning set forth in the preamble hereto.

"Guaranty" shall mean that certain Amended and Restated Guaranty made by the Guarantor in favor of the Lender, dated as of June 30, 2016, as amended from time to time.

"Income" shall mean, with respect to any Financed Asset, without duplication, all principal and income or dividends or distributions received with respect to such Financed Asset, including any sale or liquidation premiums, Liquidation Proceeds, insurance proceeds, interest, dividends or other distributions payable thereon or any fees or payments of any kind received by the related Servicer, but excluding (i) any amounts permitted to be retained by the Servicer pursuant to the Servicing Agreement and (ii) any amounts payable to the SBA or to the FTA pursuant to the Multiparty Agreements.

"Indebtedness" shall mean, with respect to any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 90 days of the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness

of others secured by a Lien on the Property of such Person, whether or not the respective Indebtedness so secured has been assumed by such Person; (d) obligations (contingent or otherwise) of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Capital Lease Obligations of such Person; (f) obligations of such Person under repurchase agreements, sale/buy-back agreements or like arrangements; (g) Indebtedness of others Guaranteed by such Person; (h) all obligations of such Person incurred in connection with the acquisition or carrying of fixed assets by such Person; and (i) Indebtedness of general partnerships of which such Person is a general partner; provided that Non-Recourse Debt associated with a securitization trust shall not be considered Indebtedness.

"Indemnified Party" shall have the meaning set forth in Section 11.01 hereof.

"Insolvency Event" shall mean, for any Person:

(a) that such Person or any Affiliate shall discontinue or abandon operation of its business; or

(b) that such Person or any Affiliate shall fail generally to, or admit in writing its inability to, pay its debts as they become due; or

(c) proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of such Person or any Affiliate in an involuntary case under any applicable bankruptcy, insolvency, liquidation, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person or any Affiliate, or for any substantial part of its property, or for the winding up or liquidation of its affairs and such decree shall remain unstayed for a period of thirty (30) days; or

(d) the commencement by such Person or any Affiliate of a voluntary case under any applicable bankruptcy, insolvency or other similar Law now or hereafter in effect, or such Person's or any Affiliate's consent to the entry of an order for relief in an involuntary case under any such Law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person, or for any substantial part of its property, or any general assignment for the benefit of creditors; or

(e) that such Person or any Affiliate shall become insolvent; or

(f) if such Person or any Affiliate is a corporation, such Person or any Affiliate, or any of their Subsidiaries, shall take any corporate action in furtherance of, or the action of which would result in any of the actions set forth in the preceding clauses (a), (b), (c), (d) or (e).

"Interest Income Asset" shall mean with respect to any Pledged Assets, interest income and other amounts accruing on such Pledged Assets, excluding the Servicing Fee as more described in the Multiparty Agreements.

"Interest Period" shall mean, with respect to any Advance, (i) initially, for any Advance, the period commencing on the Funding Date with respect to such Advance and ending on the last

day of the calendar month in which such Funding Date occurs; and (ii) subsequent consecutive periods thereafter, beginning on the first day of each subsequent calendar month and ending on the earlier of (x) the last day of the same calendar month in which such Interest Period began and (y) the Termination Date.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended.

"Investment Manager" shall mean Waterfall Asset Management, LLC, a Delaware limited liability company, and its successors in interest and assigns.

"Lender" shall have the meaning set forth in the preamble hereto.

"Leverage" shall mean with respect to any Person and its consolidated Subsidiaries the ratio of Indebtedness to Tangible Net Worth.

"LIBOR Floor" means zero percent (0%).

"LIBOR Rate" shall mean, with respect to each day on which any Advance is outstanding (or if such day is not a Business Day, the next succeeding Business Day) and determined daily by the Lender, the offered rate for three (3) month U.S. dollar deposits, as the applicable rate appears on Reuters Screen LIBOR01 Page as of 11:00 a.m. (London time) on second Business Day before such date; provided that if the applicable rate does not appear on Reuters Screen LIBOR01 Page, the rate for such date will be based upon the offered rates of the reference banks selected by the Lender for U.S. dollar deposits as of 11:00 a.m. (London time) on second Business Day before such date. In such event, Lender will request the principal London office of each of at least three reference banks selected by Lender to provide a quotation of its rate. If on such date, two or more of such reference banks provide such offered quotations, LIBOR shall be the arithmetic mean of all such offered quotations (rounded to the nearest whole multiple of 1/100%). If on such date, fewer than two of such reference banks provide such offered quotations, LIBOR shall be the higher of (i) LIBOR as determined on the immediately preceding day that LIBOR is available and (ii) the Reserve Interest Rate. Upon determination of LIBOR by the Lender in accordance with the forgoing, the Agent shall communicate LIBOR to the Borrower.

"Lien" shall mean any lien, claim, charge, restriction, pledge, security interest, mortgage, deed of trust or other encumbrance.

"Liquidated Asset" shall mean with respect to any Financed Asset, such Financed Asset has been sold or refinanced, was subject to a short sale or any other extinguishment of the Lien securing the Financed Asset.

"Liquidation Proceeds" shall mean all cash amounts received on account of a Liquidated Asset net of costs and expenses owed to the related Servicer under the Servicing Agreement.

"Liquidity" shall mean, with respect to any Person and its consolidated Subsidiaries, the sum of its (i) unrestricted cash, plus (ii) unrestricted Cash Equivalents, plus (iii) the aggregate amount of unused capacity available to such Person and its consolidated Subsidiaries (taking into account applicable haircuts) under committed mortgage loan warehouse and repurchase facilities and mortgage servicing right facilities for which such Person and its consolidated Subsidiaries

have pledged the related unencumbered eligible collateral thereunder, plus (iv) net equity value of whole pool agency securities

"Loan Agreement" shall mean this Amended and Restated Master Loan and Security Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Loan Documents" shall mean, collectively, this Loan Agreement, the Note, the Collection Account Control Agreement, the Custodial Agreements, the Guaranty and the Multiparty Agreements, each as amended from time to time.

"Loan Party" shall mean either or both the Borrower and the Guarantor.

"Margin Call" shall have the meaning set forth in Section 2.04(a) hereof.

"Margin Deficit" shall have the meaning set forth in Section 2.04(a) hereof.

"Margin Threshold" shall mean $100,000**.**

"Market Value" shall mean as of any date with respect to any SBA Loan or Participation Interest, the price at which such SBA Loan or Participation Interest could readily be sold as determined in good faith by the Lender in its sole discretion.

"Material Adverse Effect" shall mean a material adverse effect on (a) the Property, business, operations, financial condition or prospects of the Borrower, (b) the ability of Borrower to perform its obligations under any of the Loan Documents to which it is a party, (c) the validity or enforceability of any of the Loan Documents, (d) the rights and remedies of the Lender under any of the Loan Documents, (e) the timely payment of the principal of or interest on the Advances or other amounts payable in connection therewith, or (f) the Collateral.

"Maximum Facility Amount" shall mean $50,000,000.

"Monthly Payment" shall mean the scheduled monthly payment of principal and interest on an SBA Loan as adjusted in accordance with changes in the SBA 7(a) Loan Interest Rate pursuant to the provisions of the SBA 7(a) Loan Note for an adjustable rate SBA Loan.

"Mortgage" shall mean each mortgage, assignment of rents, security agreement and fixture filing, or deed of trust, assignment of rents, security agreement and fixture filing, deed to secure debt, assignment of rents, security agreement and fixture filing, or similar instrument creating and evidencing a first lien on commercial real property and other property and rights incidental thereto.

"Multiemployer Plan" shall mean, with respect to any Person, a "multiemployer plan" as defined in Section 3(37) of ERISA which is or was at any time during the current year or the immediately preceding five years contributed to (or required to be contributed to) by such Person or any ERISA Affiliate thereof on behalf of its employees and which is covered by Title IV of ERISA.

"Multiparty Agreements" shall mean each of the (a) the Amended and Restated Multiparty Agreement, dated as of June 30, 2016, by and among the Lender, Borrower, the FTA, the SBA

and The Bank of New York Mellon Trust Company, N.A. and (b) the Amended and Restated Multiparty Agreement, dated as of June 30, 2016, by and among the Lender, Borrower, the FTA, the SBA and Wells Fargo Bank, N.A., in each case, in the form agreed to by the parties thereto, as amended from time to time.

"Net Worth" shall mean, as of a particular date, all amounts that would be included under capital on a balance sheet of the Borrower at such date determined in accordance with GAAP.

"Non-Excluded Taxes" shall have the meaning set forth in Section 2.10(a) hereof.

"Non-Exempt Lender" shall have the meaning set forth in Section 2.10(e) hereof.

"Non-Performing Eligible Asset" shall mean an Eligible Asset that, as of the applicable Determination Date is (a) not a Performing Eligible Asset or (b) an Eligible Asset that has been modified subsequent to the Funding Date without the prior written consent of Lender regardless of whether it would otherwise satisfy the definition of Performing Eligible Asset.

"Non-Performing SBA 7(a)/Non-Performing SMP Acquired Loans" shall mean Guaranteed Portions or Unguaranteed Portions of SBA 7(a) Loans and SBA 7(a) Loan Participations that are Non-Performing Eligible Assets.

"Non-Recourse Debt" shall mean liabilities for which the assets securing such obligations are the only source of repayment.

"Note" shall mean the promissory note provided for by Section 2.02(a) hereof for Advances and any promissory note delivered in substitution or exchange therefor, in each case as the same shall be modified and supplemented and in effect from time to time.

"Obligor" shall mean any obligor on an SBA 7(a) Loan Note, whether the original obligor, or whether by assumption or otherwise.

"Originators" shall mean (i) with respect to Eligible Assets acquired by the Borrower in the ordinary course of its business, an originator approved by the Lender and (ii) with respect to Eligible Assets originated by the Borrower, the Borrower.

"Other Taxes" shall have the meaning set forth in Section 2.10(b) hereof.

"Participant Loan" shall mean a loan in which an Originator acquired a Participation Interest from a third party that constitutes less than one hundred percent (100%) of the interests of the lenders in and to such loan.

"Participation Agreement" shall mean the agreement executed and delivered in connection with a Participation Interest.

"Participation Certificate" shall mean the original participation certificate, if any, that was executed and delivered in connection with a Participation Interest, which Participation Certificate may represent one or more Participation Interests.

"Participation Interest" shall mean a participation interest in an SBA Loan evidenced by a Participation Certificate.

"Participation Percentage" shall mean the percentage of any Participation Interest. "Payment Date" shall mean the 15th day of each month or if the 15th day is not a Business Day, the next succeeding Business Day.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Performing Eligible Asset" shall mean an Eligible Asset, (including SBA Loans pursuant to a bankruptcy plan, where the Obligor is in bankruptcy), that as of the applicable Determination Date (a) is contractually current as of such Determination Date and (b) remains contractually current at all times after such Determination Date.

"Performing SBA 7(a) Acquired Loans" shall mean Guaranteed Portions or Unguaranteed Portions of SBA 7(a) Loans that are Performing Eligible Assets.

"Performing SBA 7(a) New Origination Guaranteed Loans" shall mean Guaranteed Portions of SBA 7(a) Loans that are Performing Eligible Assets.

"Performing SBA 7(a) New Origination Unguaranteed Loans" shall mean Unguaranteed Portions of SBA 7(a) Loans that are Performing Eligible Assets.

"Performing SMP Loans" shall mean SBA 7(a) Loan Participations that are Performing Eligible Assets.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, limited liability company, trust, unincorporated association, or government (or any agency, instrumentality or political subdivision thereof), including, but not limited to, the Borrower.

"Plan" shall mean, with respect to Borrower, any employee benefit or similar plan that is or was at any time during the current year or immediately preceding five years established, maintained or contributed to by Borrower or any ERISA Affiliate thereof and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Pledged Assets" shall mean those Assets owned by Borrower (excluding any interest therein previously sold by the Borrower) and pledged by Borrower to the Lender as Collateral for Advances made hereunder as specifically set forth in each Request for Borrowing delivered by Borrower to the Lender in accordance with Section 2.03(a) hereof.

"Pledged Property" shall mean (i) real property (including all improvements, buildings, fixtures, building equipment and personal property thereon and all additions, alterations and replacements made at any time with respect to the foregoing) and/or (ii) any machinery or equipment (and all additions, alterations and replacements made at any time with respect to the foregoing) and/or (iii) any Franchise and/or (iv) all other collateral, in any case, securing repayment of the debt evidenced by an SBA 7(a) Loan Note.

"Pledged Real Estate" shall mean, with respect to any Pledged Property, the real estate (including all improvements, buildings, fixtures, building equipment and personal property thereon and all additions, alterations and replacements made at any time with respect to the foregoing) related to such Pledged Property.

"Principal Paydown Amounts" shall have the meaning set forth in Section 2.05 hereof.

"Prohibited Person" shall have the meaning set forth in Section 6.28 hereof.

"Property" shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"REIT" shall mean a real estate investment trust under Section 856 through 860 of the Code.

"REIT Distribution Requirement" means for any taxable year, an amount of dividends sufficient to meet the requirements of Section 857(a) of the Code.

"Register" shall have the meaning set forth in Section 16.02.

"Remittance Report" shall mean the report in the form of Exhibit C hereto (as may be amended, restated or modified from time to time by the Borrower with the approval of the Lender, which approval may not be unreasonably withheld) delivered by the Borrower or the Servicers to the Lender on the Business Day prior to the related Payment Date.

"Repayment Amount" shall mean, with respect to any Advance, the Lender's Advance Amount minus any cash applied to reduce the Lender's Advance Amount plus accrued and unpaid interest and accrued and unpaid fees and expenses.

"Reportable Event" shall mean any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .21, .22, .24, .26, .27 or .28 of PBGC Reg. § 4043.

"Request for Borrowing" shall have the meaning set forth in Section 2.03(a) hereof.

"Requirement of Law" shall mean as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule, regulation, procedure or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" shall mean, as to any Person, the chief executive officer or, with respect to financial matters, the chief financial officer of such Person; provided that in the event any such officer is unavailable at any time he or she is required to take any action hereunder, Responsible Officer shall mean any officer authorized to act on such officer's behalf as demonstrated by a certificate of entity resolution or consent.

"Rolling Termination Date" shall mean the date that is 180 days following the date that a Rolling Termination Notice is delivered to the Borrower; provided, that the earliest Rolling Termination Date shall be June 29, 2017 and any Rolling Termination Notice delivered prior to the 180th day prior to June 29, 2017 shall not become effective until the 180th day prior to June 29, 2017.

"Rolling Termination Notice" shall mean a notice from Lender to Borrower that indicates that the Rolling Termination Date shall be 180 days from the date of such notice.

"SBA" shall mean the United States Small Business Administration, an agency of the United States government.

"SBA 7(a) Loan" shall mean any loan which is originated in accordance with the SBA Rules and Regulations and pursuant to Section 7(a) of the Small Business Act, as amended, codified at 15 U.S.C. 631 et. seq., which SBA Loan is partially guaranteed by the SBA.

"SBA 7(a) Loan Interest Rate" shall mean the annual rate of interest, as determined from time to time, borne on an SBA 7(a) Loan Note.

"SBA 7(a) Loan Note" shall mean the promissory note or other evidence of the indebtedness of an Obligor with respect to an SBA 7(a) Loan.

"SBA 7(a) Loan Participation" shall mean a participation interest in the Unguaranteed Portion of SBA 7(a) Loans.

"SBA Authorization and Loan Agreement" shall mean the Authorization and Loan Agreement (SBA Form 529 or other comparable form) issued with respect to each SBA 7(a) Loan between the SBA, the Originator, and the Obligor.

"SBA Guaranty Agreement" shall mean the SBA Loan Guaranty Agreement (SBA Form 750 or any comparable form), with respect to a SBA 7(a) Loan, between the SBA and the Originator as such agreement may be amended from time to time.

"SBA Loan" shall mean any SBA 7(a) Loan.

"SBA Rules and Regulations" shall mean the Small Business Act, as amended, codified at 15 U.S.C. 631 et. seq., and the Small Business Investment Act of 1958, as amended, codified at 15 U.S.C. 661 et. seq., all rules and regulations promulgated from time to time thereunder and the SBA Guaranty Agreement.

"Secondary Market Sale" shall have the meaning set forth in Section 6.29(a) hereof.

"Section 7 Certificate" shall have the meaning set forth in Section 2.10(e)(ii) hereof.

"Secured Obligations" shall mean the unpaid principal amount of, and interest on the related Advances, and all other obligations and liabilities of the Borrower to the Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of or in connection with this Loan Agreement, the related

Note, any other Loan Document and any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Lender that are required to be paid by the Borrower pursuant to the terms hereof or thereof) or otherwise. For purposes hereof, "interest" shall include, without limitation, interest accruing after the maturity of the Advances and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding.

"Security Agreement" shall mean the mortgage, deed of trust, assignment of leases and rents or other instrument or security agreement securing obligations with respect to an SBA Loan, which creates a first, second or third Lien (as indicated on the Asset Tape) on a Pledged Property securing the SBA 7(a) Loan Note.

"Servicer" shall mean (i) Borrower with respect to Non-Performing Eligible Assets that are not Participation Interests in respect of a Participant Loan, (ii) Borrower with respect to Performing Eligible Assets that are SBA 7(a) Loans, and (iii) the current servicer in connection with the related Participation Agreement with respect to Participation Interests in respect of Participation Loans, each as approved by the Lender in its sole discretion.

"Servicer Account" shall mean the segregated account established by and in the name of Borrower at a depository institution approved by the Lender into which all Income received on account of the Eligible Assets serviced or managed by such Servicer shall be deposited.

"Servicing Agreements" shall have the meaning set forth in Section 12.03 hereof.

"Servicing Records" shall have the meaning set forth in Section 12.02 hereof.

"Subsidiary" shall mean, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

"Sutherland" shall have the meaning set forth in the preamble hereto.

"Sutherland Repurchase Agreement" shall mean shall mean that certain Master Repurchase, dated as of June 30, 2016, by and among Sutherland, Sutherland 2016-1 JPM Grantor Trust and Lender.

"Tangible Net Worth" shall mean, as of any date of determination, the consolidated Net Worth of the Borrower or Guarantor, as applicable, less the consolidated net book value of all assets of the Borrower or Guarantor, as applicable, (to the extent reflected as an asset in the balance

sheet of the Borrower or Guarantor, as applicable, at such date) that will be treated as intangibles under GAAP.

"Taxes" shall have the meaning set forth in Section 2.10(a) hereof.

"Termination Date" shall mean the earliest of (i) the Rolling Termination Date, (ii) June 29, 2018, or (iii) such date as determined by Lender pursuant to the Loan Agreement in accordance with the provisions thereof or by operation of law.

"Total Stockholder's Equity" shall mean with respect to any Person and its consolidated Subsidiaries, an amount equal to, on a consolidated basis, such Person's stockholder's equity (determined in accordance with GAAP).

"Transfer" shall have the meaning set forth in Section 7.16 hereof.

"Type" shall mean a specific type of Eligible Asset specified in the first column of the tables under the definitions of Advance Rate Percentage and Applicable Sublimit.

"Unguaranteed Portion" shall mean that portion of a SBA Loan, including interest, not guaranteed by the SBA pursuant to the SBA Rules and Regulations, the related SBA Authorization and Loan Agreement, or the SBA Guaranty Agreement, but only so much of such portion as has been pledged as Collateral for Advances made hereunder.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

1.02 Accounting Terms and Determinations. For purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Loan Agreement have the meanings assigned to them in this Loan Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lender hereunder shall be prepared, in accordance with GAAP;

(c) references herein to "Articles", "Sections", "Subsections", "Paragraphs", and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Loan Agreement;

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular provision;

(f) the term "include" or "including" shall mean without limitation by reason of enumeration;

(g) all times specified herein or in any other Loan Document (unless expressly specified otherwise) are local times in New York, New York unless otherwise stated; and

(h) all references herein or in any Loan Document to "good faith" means good faith as defined in Section 1-201(19) of the Uniform Commercial Code in effect in the State of New York.

Section 2. Advances; Note and Prepayments.

2.01 Advances.

(a) Subject to fulfillment of the conditions precedent set forth in Sections 5.01 and 5.02 hereof, the Lender agrees, on the terms and conditions of this Loan Agreement, to continue to make Advances to the Borrower in Dollars, on any Business Day, from and including the Effective Date in an aggregate principal amount at any one time outstanding up to but not exceeding the lesser of (i) Maximum Facility Amount, (ii) the Borrowing Base and (iii) with respect to each Type of Eligible Asset, the Applicable Sublimit, as in effect from time to time.

(b) Subject to the terms and conditions of this Loan Agreement, from and including the Effective Date, the Borrower may borrow hereunder. Any amounts repaid may be reborrowed hereunder.

(c) Reserved.

(d) **Notwithstanding anything herein to the contrary, the Borrower acknowledges and agrees that this Loan Agreement does not commit the Lender to make or agree to make) any Advance requested by the Borrower hereunder and this Loan Agreement rather sets forth the procedures to be used in connection with periodic requests for Lender to make Advances to Borrower. Borrower hereby acknowledges that Lender is under no obligation to make any Advance pursuant to this Loan Agreement.**

2.02 Notes.

(a) The Advances made by the Lender shall be evidenced by a single promissory note of Borrower substantially in the form of Exhibit A hereto (the "Note") payable to the Lender in a principal amount equal to the outstanding Advances as in effect from time to time, and otherwise duly completed. The Lender shall have the right to have its Note subdivided, by exchange for promissory notes of lesser denominations or otherwise.

(b) Reserved.

(c) The date, amount and interest rate of each Advance made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of a Note, endorsed by the Lender on the schedule attached to such Note or any continuation thereof; provided that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing hereunder or under the Note in respect of the Advances.

2.03 Procedure for Borrowing.

(a) The Borrower may request a borrowing to be secured by SBA Loans hereunder, on any Business Day during the period from and including the Effective Date, by delivering to the Lender, an irrevocable written request for borrowing substantially in the form of Exhibit B hereto ("Request for Borrowing"); provided that, the Borrower may not deliver more than one (1) Request for Borrowing per Business Day. Such Request for Borrowing must be received by the Lender prior to 10:00 a.m. New York City time at least three (3) Business Days prior to the requested Funding Date. Such Request for Borrowing shall (i) specify the amount of such Advance, (ii) attach an Asset Schedule identifying the Eligible Assets that the Borrower proposes to pledge to the Lender and to be included in the Borrowing Base in connection with such borrowing, (iii) specify the requested Funding Date, (iv) certify that the SBA 7(a) Loan Notes, if any, have been delivered to the FTA pursuant to the applicable Multiparty Agreement, and (v) specify such other matters as may be specified on the form of the Request for Borrowing or as may be reasonably requested by Lender from time to time in accordance with the terms hereof. The Borrower shall indemnify Lender and hold it harmless against any Losses incurred by Lender as a result of any failure by Borrower to timely deliver the Pledged Assets subject to such Request for Borrowing. Subject to Section 5 hereof, such borrowing, will then be made available to the Borrower by the Lender transferring, via wire transfer, to the account of Borrower as set forth in the Request for Borrowing, in the aggregate amount of such borrowing, in funds immediately available to the Borrower.

(b) Upon the Borrower's Request for Borrowing pursuant to Section 2.03(a), the Lender shall, assuming all conditions precedent set forth in this Section 2.03 and in Sections 5.01 and 5.02 have been met make an Advance to Borrower on the requested Funding Date, in the amounts so requested; provided that such amounts would not cause a Borrowing Base Deficiency.

2.04 Margin Amount Maintenance; Mandatory Prepayments.

(a) If at any time the aggregate Collateral Value of Financed Assets is less than the Repayment Amount on account of the related Advances (a "Margin Deficit") and such Margin Deficit is greater than the Margin Threshold, then the Lender may by notice to the Borrower (as such notice is more particularly set forth below, a "Margin Call"), require the Borrower to transfer to the Lender or its designee cash in an amount at least equal to the Margin Deficit.

(b) Reserved.

(c) If the Lender delivers a Margin Call to the Borrower on or prior to 10:00 a.m. (Eastern time) on any Business Day, then the Borrower shall transfer cash to the Lender no

later than 4:00 p.m. (Eastern time) that day. In the event the Lender delivers a Margin Call to the Borrower after 10:00 a.m. (Eastern time) on any Business Day, the Borrower shall be required to transfer cash no later than 10:00 a.m. (Eastern time) on the subsequent Business Day. The Lender's election, in its sole and absolute discretion, not to make a Margin Call at any time there is a Margin Deficit in excess of the Margin Threshold shall not in any way limit or impair its right to make a Margin Call at any time a Margin Deficit in excess of the Margin Threshold exists.

(d) Any cash transferred to the Lender pursuant to Section 2.04(a) above shall promptly be applied to reduce the Lender's Advance Amount related to each Financed Asset on a *pro rata* basis (based on the Advance Amount related to such Financed Asset).

(e) The Lender hereby agrees that it will be responsible for calculations of the Collateral Value and Repayment Amount of each Financed Asset in order to determine the amount of payments due to the Lender under this Loan Agreement, including without limitation, pursuant to Section 2 hereof and the Lender will provide such calculations to the Borrower upon request therefor. The Lender's determination of the Collateral Value and the Repayment Amount of each Financed Asset shall be conclusive absent manifest error.

(f) If at any time there has occurred, or there is discovered, an Environmental Issue, the Borrower shall promptly but in any event, within one (1) Business Day, notify the Lender in writing, and shall prepay the Advance related to the Financed Asset subject to the Environmental Issue and remove such Financed Asset from this Loan Agreement.

(g) If, after the initial Advance Date, the Collateral Value of the Financed Assets subject to an Advance hereunder as of any date of determination is greater than the Borrowing Base (a "Margin Excess"), then Borrower may, by three (3) Business Days' prior written notice to Lender in the form of Exhibit G attached hereto (an "Excess Margin Notice"), the Lender shall be required to transfer cash no later than 10:00 a.m. (Eastern time) on the subsequent Business Day such that the Margin Excess set forth in such Excess Margin Notice is reduced or eliminated and such transferred amount shall be considered an Advance under this Loan Agreement; provided that, no Default has occurred and is continuing or would exist after such action by Lender, and provided further that Lender will not be required to take any action under this provision that (1) would be inconsistent with Borrower's determination of Collateral Value in accordance with this Loan Agreement, (2) would cause a Margin Deficit or (3) would cause the aggregate outstanding principal amount of the Advances to exceed the Maximum Facility Amount.

2.05 Establishment of Collection Account and Waterfall.

(a) The Borrower shall, and shall cause each Servicer to, hold for the benefit of, and in trust for, the Lender all Income, including, without limitation, all Income received by or on behalf of Borrower with respect to the Eligible Assets owned by the Borrower. The Borrower shall cause each Servicer to deposit all such Income received on account of the Eligible Assets serviced or managed by such Servicer, in the applicable Servicer Account no later than two (2) Business Days following receipt. To the extent that Borrower is holding any such Income, Borrower shall deposit such Income (but excluding that portion of Income on account of any SBA Loan due to the SBA or the FTA, which portion of Income shall be remitted directly to the SBA or the FTA, as applicable) in the applicable Collection Account and subject to the Collection

Account Control Agreement. The Borrower shall cause each Servicer to remit to the applicable Collection Account all Income (but excluding that portion of Income on account of any SBA Loan due to the SBA or the FTA, which portion of Income shall be remitted directly to the SBA or the FTA, as applicable) held in the related Servicer Account on each day that the related Servicer remits any portion of Income to the SBA or the FTA, which remittance shall occur no less frequently than once per calendar week as long as there is Income on deposit in the related Servicer Account. All Income shall be held in trust for the Lender and shall not be commingled with other property of the Borrower or any Affiliate of the Borrower. Funds deposited in any Collection Account during any month shall be held therein, in trust for Lender, until the next Payment Date. Subject to the terms of the Collection Account Control Agreement, funds on deposit in the Collection Account shall be remitted to the Lender and applied as follows from the Collection Account on account of the Advances in the following order of priority:

(i) first, to the Lender for the Lender's fees and reimbursable expenses then due and payable pursuant to any of the Loan Documents;

(ii) second, to the Lender for the interest then due and payable on the Advances made to Borrower;

(iii) third, without limiting the rights of the Lender under Section 2.04 of this Loan Agreement, to the Lender, in the amount of any unpaid Margin Deficit;

(iv) fourth, to the Lender in an amount equal to the principal amortization (including full and partial prepayments) relating to the Financed Assets for the prior calendar month (the "Principal Paydown Amounts") and Liquidation Proceeds with respect to Liquidated Assets with respect to Performing Eligible Assets, an amount equal to all Principal Paydown Amounts or Liquidation Proceeds, as applicable, multiplied by the related Advance Rate Percentage for each Eligible Asset based upon the Type of Eligible Asset;

(v) fifth, subsequent to the occurrence of an Event of Default, one hundred percent (100%) of all Principal Paydown Amounts and Liquidation Proceeds and all other Income will be distributed to the Lender with respect to each Liquidated Asset;

(vi) sixth, all other Secured Obligations; and

(vii) seventh, to the Borrower.

(b) Notwithstanding the preceding provisions, if an Event of Default has occurred and is continuing, all funds in the Collection Account shall be withdrawn and shall be applied as determined by Lender until all Secured Obligations have been paid in full and then, paid to the Borrower.

(c) Principal Paydown Amounts and Liquidation Proceeds will be applied to reduce the Lender's Advance Amount of the applicable Financed Asset to which it applies. If the amount distributed to the Lender in accordance with the preceding sentence is greater than the Lender's Advance Amount with respect to such Financed Asset then such excess will be applied to all other Financed Assets to reduce the Lender's Advance Amount on a *pro rata* basis.

2.06 Repayment of Advances; Interest.

(a) Borrower hereby promises to repay in full on the Termination Date the then aggregate outstanding principal amount of the Advances and all other related Secured Obligations.

(b) The Borrower hereby promises to pay to the Lender interest on the unpaid principal amount of each related Advance for each Interest Period at a rate per annum equal to the greater of (a) (i) the LIBOR Rate for such Interest Period and (ii) the LIBOR Floor plus (b) the Applicable Margin. Notwithstanding the foregoing, the Borrower hereby promises to pay to the Lender interest at the applicable Default Rate on any principal of any related Advance and on any other amount payable by Borrower hereunder or under the related Note that shall not be paid in full when due (whether at stated maturity, by acceleration or by mandatory prepayment or otherwise) for the period from and including the due date thereof to but excluding the date the same is paid in full. Accrued interest on each Advance shall be payable monthly in arrears on each Payment Date and on the Termination Date. Notwithstanding the foregoing, interest accruing at the Default Rate shall be payable to the Lender on demand.

(c) It is understood and agreed that, unless and until a Default shall have occurred and be continuing, the Borrower shall be entitled to the proceeds of the Pledged Assets (other than as expressly set forth in Section 2.05 hereof).

2.07 Optional Prepayments.

(a) The Advances are prepayable at any time, in whole or in part. Any amounts prepaid shall be applied to repay the outstanding principal amount of any Advances (together with interest thereon) until paid in full. Amounts repaid may be reborrowed. If the Borrower intends to prepay an Advance in whole or in part from a source other than the proceeds of the related Financed Assets, the Borrower shall give two (2) Business Days' prior written notice thereof to the Lender. If such notice is given, the amount specified in such notice, shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid.

2.08 Limitation on Types of Advances; Illegality. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBOR Rate:

(a) the Lender determines, which determination shall be conclusive, absent manifest error, that quotations of interest rates for the relevant deposits referred to in the definition of "LIBOR Rate" in Section 1.01 hereof are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Advances as provided herein; or

(b) it becomes unlawful for the Lender to honor its obligation to make or maintain Advances hereunder using a LIBOR Rate; then the Lender shall give the Borrower prompt notice thereof and, so long as such condition remains in effect, the Lender shall be under no obligation to make additional Advances, and the Borrower shall, in its discretion, either prepay all such Advances as may be outstanding or pay interest on such Advances at a rate per annum equal to a rate selected by the Lender which it determines in its sole discretion most closely approximates the LIBOR Rate plus the Applicable Margin.

2.09 Requirements of Law.

(a) If any Requirement of Law (other than with respect to any amendment made to the Lender's certificate of incorporation and by-laws or other organizational or governing documents) or any change in the interpretation or application thereof or compliance by the Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject the Lender to any Tax or increased Tax of any kind whatsoever with respect to this Loan Agreement or any Transaction or change the basis of taxation of payments to the Lender in respect thereof;

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, or other extensions of credit by, or any other acquisition of funds by, any office of the Lender which is not otherwise included in the determination of the LIBOR Rate hereunder;

(iii) shall impose on the Lender any other condition that has an adverse effect on the Lender;

and the result of any of the foregoing is to increase the cost to the Lender, by an amount which the Lender deems to be material, of entering, continuing or maintaining any Advance or to reduce any amount due or owing hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay the Lender such additional amount or amounts as calculated by the Lender in good faith as will compensate the Lender for such increased cost or reduced amount receivable.

(b) If the Lender shall have determined that the adoption of or any change in any Requirement of Law (other than with respect to any amendment made to the Lender's certificate of incorporation and by-laws or other organizational or governing documents) regarding capital adequacy or in the interpretation or application thereof or compliance by the Lender or any corporation controlling the Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on the Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which the Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration the Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by the Lender to be material, then from time to time, the Borrower shall promptly pay to the Lender such additional amount or amounts as calculated by the Lender in good faith as will compensate the Lender for such reduction.

(c) If the Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section submitted by the Lender to the Borrower shall be conclusive in the absence of manifest error.

2.10 Taxes.

(a) Any and all payments by the Borrower under or in respect of this Loan Agreement or any other Loan Documents to which Borrower is a party shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future taxes, levies, imposts, deductions, charges or withholdings and all liabilities (including penalties, interest and additions to tax) with respect thereto, whether now or hereafter imposed, levied, collected, withheld or assessed by any taxation authority or other Governmental Authority (collectively, "Taxes"), unless otherwise required by law. If Borrower shall be required under any applicable Requirement of Law to deduct or withhold any Taxes from or in respect of any sum payable under or in respect of this Loan Agreement or any of the other Loan Documents to the Lender, (i) Borrower shall make all such deductions and withholdings in respect of Taxes, (ii) Borrower shall pay the full amount deducted or withheld in respect of Taxes to the relevant taxation authority or other Governmental Authority in accordance with any applicable Requirement of Law, and (iii) the sum payable by Borrower shall be increased as may be necessary so that after Borrower has made all required deductions and withholdings (including deductions and withholdings applicable to additional amounts payable under this Section 2.10) the Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made in respect of Non-Excluded Taxes. For purposes of this Loan Agreement the term "Non-Excluded Taxes" are Taxes other than, in the case of the Lender, Taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the jurisdiction under the laws of which the Lender is organized or of its applicable lending office, or any political subdivision thereof, unless such Taxes are imposed as a result of the Lender having executed, delivered or performed its obligations or received payments under, or enforced, this Loan Agreement or any of the other Loan Documents (in which case such Taxes will be treated as Non-Excluded Taxes).

(b) In addition, Borrower hereby agrees to pay any present or future stamp, recording, documentary, excise, property or value-added Taxes, or similar Taxes, charges or levies that arise from any payment made under or in respect of this Loan Agreement or any other Loan Document or from the execution, delivery or registration of, any performance under, or otherwise with respect to, this Loan Agreement or any other Loan Document (collectively, "Other Taxes").

(c) Borrower hereby agrees to indemnify the Lender for, and to hold it harmless against, the full amount of Non-Excluded Taxes and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable by the Borrower under this Section 2.10 imposed on or paid by the Lender, and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. The indemnity by the Borrower provided for in this Section 2.10(c) shall apply and be made whether or not the Non-Excluded Taxes or Other Taxes for which indemnification hereunder is sought have been correctly or legally asserted. Amounts payable by Borrower under the indemnity set forth in this Section 2.10(c) shall be paid within ten (10) days from the date on which the Lender makes written demand therefor.

(d) Within thirty (30) days after the date of any payment of Taxes, the Borrower (or any Person making such payment on behalf of the Borrower) shall furnish to the Lender for its own account a certified copy of the original official receipt evidencing payment thereof.

(e) For purposes of this Section 2.10(e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code. Each Lender (including for avoidance of doubt any assignee, successor or participant) that either (i) is not incorporated under the laws of the United States, any State thereof, or the District of Columbia or (ii) has a name that does not include "Incorporated," "Inc.," "Corporation," "Corp.," "P.C.," "N.A.," "National Association," "insurance company," or "assurance company" (a "Non-Exempt Lender") shall deliver or cause to be delivered to the Borrower the following properly completed and duly executed documents:

(i) in the case of a Non-Exempt Lender that is not a United States person or is a foreign disregarded entity for U.S. federal income tax purposes that is entitled to provide such form, a complete and executed (x) U.S. Internal Revenue Form W-8BEN with Part II completed in which the Lender claims the benefits of a tax treaty with the United States providing for a zero or reduced rate of withholding (or any successor forms thereto), including all appropriate attachments or (y) a U.S. Internal Revenue Service Form W-8ECI (or any successor forms thereto); or

(ii) in the case of an individual, (x) a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a certificate substantially in the form of Exhibit D (a "Section 7 Certificate") or (y) a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto); or

(iii) in the case of a Non-Exempt Lender that is organized under the laws of the United States, any State thereof, or the District of Columbia, a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto), including all appropriate attachments; or

(iv) in the case of a Non-Exempt Lender that (x) is not organized under the laws of the United States, any State thereof, or the District of Columbia and (y) is treated as a corporation for U.S. federal income tax purposes, a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a Section 7 Certificate; or

(v) in the case of a Non-Exempt Lender that (A) is treated as a partnership or other non-corporate entity, and (B) is not organized under the laws of the United States, any State thereof, or the District of Columbia, (x)(i) a complete and executed U.S. Internal Revenue Service Form W-8IMY (or any successor forms thereto) (including all required documents and attachments) and (ii) a Section 7 Certificate, and (y) without duplication, with respect to each of its beneficial owners and the beneficial owners of such beneficial owners looking through chains of owners to individuals or entities that are treated as corporations for U.S. federal income tax purposes (all such owners, "beneficial owners"), the documents that would be provided by each such beneficial owner pursuant to this section if such beneficial owner were the Lender; provided, however, that no such documents will be required with respect to a beneficial owner to the extent the actual Lender is determined to be in compliance with the requirements for certification on behalf of its beneficial owner as may be provided in applicable U.S. Treasury regulations, or the requirements of this clause (v) are otherwise determined to be unnecessary, all such

determinations under this clause (v) to be made in the sole discretion of the Borrower; provided, however, that the Lender shall be provided an opportunity to establish such compliance as reasonable; or

(vi) in the case of a Non-Exempt Lender that is disregarded for U.S. federal income tax purposes, the document that would be provided by its beneficial owner pursuant to this Section if such beneficial owner were the Lender; or

(vii) in the case of a Non-Exempt Lender that (A) is not a United States person and (B) is acting in the capacity as an "intermediary" (as defined in U.S. Treasury Regulations), (x)(i) a U.S. Internal Revenue Service Form W-8IMY (or any successor form thereto) (including all required documents and attachments) and (ii) a Section 7 Certificate, and (y) if the intermediary is a "non-qualified intermediary" (as defined in U.S. Treasury Regulations), from each person upon whose behalf the "non-qualified intermediary" is acting the documents that would be provided by each such person pursuant to this Section if each such person were the Lender.

If the Lender provided a form pursuant to clause (e)(i)(x) and the form provided by the Lender at the time the Lender first becomes a party to this Loan Agreement or, with respect to a grant of a Participation Interest, the effective date thereof, indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be treated as Taxes other than "Non-Excluded Taxes" ("Excluded Taxes") and shall not qualify as Non- Excluded Taxes unless and until the Lender provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate shall be considered Excluded Taxes solely for the periods governed by such form. If, however, on the date a Person becomes an assignee, successor or participant to this Loan Agreement, the Lender transferor was entitled to indemnification or additional amounts under this Section 2.10, then the Lender assignee, successor or participant shall be entitled to indemnification or additional amounts to the extent (and only to the extent), that the Lender transferor was entitled to such indemnification or additional amounts for Non-Excluded Taxes, and the Lender assignee, successor or participant shall be entitled to additional indemnification or additional amounts for any other or additional Non-Excluded Taxes.

(f) For any period with respect to which the Lender has failed to provide the Borrower with the appropriate form, certificate or other document described in this Section 2.10(f) (other than (i) if such failure is due to a change in any applicable Requirement of Law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided by the Lender or (ii) if it is legally inadvisable or otherwise commercially disadvantageous for the Lender to deliver such form, certificate or other document), the Lender shall not be entitled to indemnification or additional amounts under Section 2.10(a) or Section 2.10(c) with respect to Non-Excluded Taxes imposed by the United States by reason of such failure; provided, however, that should the Lender become subject to Non-Excluded Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as the Lender shall reasonably request, to assist the Lender in recovering such Non-Excluded Taxes.

(g) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.10 shall

survive the termination of this Loan Agreement. Nothing contained in this Section 2.10 shall require the Lender to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

(h) Each party to this Loan Agreement acknowledges that it is its intent for purposes of U.S. federal, state and local income and franchise taxes, to treat the Advances as indebtedness of the Borrower that is secured by the Pledged Assets, and to treat the Pledged Assets as owned by the Borrower for federal income tax purposes in the absence of a Default by the Borrower. All parties to this Loan Agreement agree to such treatment and agree to take no action inconsistent with this treatment, unless required by law.

Section 3. Payments; Computations; Etc.

3.01 Payments.

(a) Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Loan Agreement and the Note shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Lender at the following account maintained by the Lender: Account No. 099999090, for the account of Loan Dept. Early, JPMorgan Chase Bank, N.A., ABA No. 021- 000-021, Reference: ReadyCap Lending, Attn: Sophia Redzaj not later than 4:00 p.m., New York City time, on the date on which such payment shall become due (and each such payment made after such time on such due date shall be deemed to have been made on the next succeeding Business Day). The Borrower acknowledges that it has no rights of withdrawal from the foregoing account.

(b) Except to the extent otherwise expressly provided herein, if the due date of any payment under this Loan Agreement or any Note would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day, and interest shall be payable for any principal so extended for the period of such extension.

3.02 Computations. Interest on the Advances shall be computed on the basis of a 360- day year for the actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

3.03 Facility Fee. In addition to other fees and expenses to be paid by Borrower as provided herein, Borrower shall pay to Lender in immediately available funds, a non-refundable Facility Fee. Such Facility Fee will be paid in equal monthly payments commencing on June 30, 2016, and continuing on the 30th day of each month thereafter, until the Termination Date. All payments of the Facility Fee shall be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to the Lender at such account designated by the Lender.

Section 4. Collateral Security.

4.01 Collateral; Security Interest.

(a) The Custodian shall hold the Asset Files (except for the SBA 7(a) Loan Notes which shall be held by the FTA as bailee for the Lender), as bailee and agent for the Lender, the holders of the Guaranteed Portion, and the SBA, as their interests may appear.

(b) Each of the following items of property, whether now owned or hereinafter acquired, now existing or hereafter created and wherever located, is hereinafter referred to as the "Collateral":

(i) all Pledged Assets;

(ii) to the extent of the Unguaranteed Portion or the Guaranteed Portion, as applicable, all Asset Files, including without limitation all promissory notes, and all Servicing Records, Servicing Agreements (if any) and any other collateral pledged or otherwise relating to such Pledged Asset, together with all files, documents, instruments, surveys, certificates, correspondence, appraisals, computer programs, computer storage media, accounting records and other books and records relating thereto;

(iii) all insurance (issued by governmental agencies or otherwise) and any insurance certificate or other document evidencing such insurance relating to any Pledged Asset or the related Pledged Property and all claims and payments thereunder;

(iv) the Interest Income Asset with respect to such Pledged Asset;

(v) the Collection Account and all monies from time to time on deposit in such Collection Account;

(vi) all "general intangibles" as defined in the Uniform Commercial Code relating to or constituting any and all of the foregoing; and

(vii) any and all replacements, substitutions, distributions on or proceeds of any and all of the foregoing.

(c) Reserved.

(d) Borrower hereby pledges to the Lender, and grants a security interest in favor of the Lender in, all of Borrower's right, title and interest in, to and under the Collateral, whether now owned or hereafter acquired, now existing or hereafter created and wherever located, to secure the respective Secured Obligations. Borrower agrees to mark its computer records and tapes to evidence the interests granted to the Lender hereunder.

4.02 Further Documentation. At any time and from time to time, upon the written request of the Lender, and at the sole expense of the Borrower, Borrower will promptly and duly execute and deliver, or will promptly cause to be executed and delivered, such further instruments and documents and take such further action as the Lender may reasonably request for the purpose

of obtaining or preserving the full benefits of this Loan Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby. Borrower also hereby authorizes the Lender to file any such financing or continuation statement without the signature of Borrower to the extent permitted by applicable law. A photographic or other reproduction of this Loan Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

4.03 Changes in Locations, Name, etc. Borrower shall not (i) change the location of its chief executive office/chief place of business from that specified in Section 6.21 hereof, (ii) change its name, identity or corporate structure (or the equivalent) or change the location where it maintains its records with respect to the Collateral, or (iii) reincorporate or reorganize under the laws of another jurisdiction unless it shall have given the Lender at least thirty (30) days prior written notice thereof and shall have delivered to the Lender all Uniform Commercial Code financing statements and amendments thereto as the Lender shall request and taken all other actions deemed necessary by the Lender to continue its perfected status in the Collateral with at least the same priority.

4.04 Lender's Appointment as Attorney-in-Fact.

(a) Borrower hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Borrower and in the name of Borrower or in its own name, from time to time, in the Lender's discretion, if an Event of Default shall have occurred, and during its period of continuance, and for the purpose of carrying out the terms of this Loan Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Loan Agreement, and, without limiting the generality of the foregoing, Borrower hereby gives the Lender the power and right, on behalf of Borrower, without assent by, but with notice to, Borrower, if an Event of Default shall have occurred and be continuing, to take action pursuant to Section 9, including to do the following:

(i) in the name of Borrower or its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any other Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Lender for the purpose of collecting any and all such moneys due with respect to any other Collateral whenever payable;

(ii) to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral;

(iii) (A) to direct any party liable for any payment under any Collateral to make payment of any and all moneys due or to become due thereunder directly to the Lender or as the Lender shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign

and endorse any invoices, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against Borrower with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and Borrower's expense, at any time, and from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's Liens thereon and to effect the intent of this Loan Agreement, all as fully and effectively as Borrower might do; and

(iv) to deliver any notices to the SBA or FTA, including, but not limited to, notices required under the Multiparty Agreements.

Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until all of the obligations of Borrower under each of the Loan Documents have been fully and finally repaid and performed.

Borrower also authorizes the Lender, at any time during the existence of an Event of Default, to execute, in connection with any sale provided for in Section 4.07 hereof, any endorsements, assignments or other instruments of conveyance or transfer Collateral.

It is understood and agreed that the exercise of the foregoing power of attorney by the Lender is subject to the restrictions set forth in the Multiparty Agreements.

(b) Reserved.

(c) The powers conferred on the Lender are solely to protect the Lender's interests in the Collateral and shall not impose any duty upon the Lender to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Lender nor any of its officers, directors, or employees shall be responsible to Borrower for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

4.05 Performance by Lender of Borrower's Obligations. If Borrower fails to perform or comply with any of its agreements contained in the Loan Documents and the Lender may itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Lender incurred in connection with such performance or compliance, together with interest thereon at a rate per annum equal to the Default Rate, shall be payable by the Borrower to the Lender on demand and shall constitute Secured Obligations.

4.06 Proceeds.

(a) If an Event of Default shall occur and be continuing, (i) all proceeds of the Collateral received by Borrower consisting of cash, checks and other near-cash items shall be held by Borrower in trust for the Lender, segregated from other funds of Borrower, and shall forthwith upon receipt by Borrower be turned over to the Lender in the exact form received by Borrower (duly endorsed by Borrower to the Lender, if required) and (ii) any and all such proceeds received by the Lender (whether from Borrower or otherwise) may, in the sole discretion of the Lender, be held by the Lender as collateral security for, and/or then or at any time thereafter may be applied by the Lender against, the Secured Obligations (whether matured or unmatured), such application to be in such order as the Lender shall elect.

(b) Reserved.

(c) Any balance of such proceeds remaining after the Secured Obligations shall have been paid in full and this Loan Agreement shall have been terminated shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same. For purposes hereof, proceeds shall include, but not be limited to, all principal and interest payments, all prepayments and payoffs, insurance claims, Condemnation Proceeds, sale proceeds, real estate owned rents and any other income and all other amounts received with respect to the Collateral.

4.07 Remedies. If an Event of Default shall occur and be continuing, the Lender may exercise, in addition to all other rights and remedies granted to it in this Loan Agreement and in any other instrument or agreement securing, evidencing or relating to the related Secured Obligations, all rights and remedies of a secured party under the Uniform Commercial Code. Without limiting the generality of the foregoing, the Lender without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon Borrower or any other Person (each and all of which demands, presentments, protests, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral, or any part thereof (or contract to do any of the foregoing), in one or more parcels or as an entirety at public or private sale or sales, at any exchange, broker's board or office of the Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in Borrower, which right or equity is hereby waived or released. Borrower further agrees, at the Lender's request, to assemble the Collateral and make it available to the Lender at places which the Lender shall reasonably select, whether at Borrower's premises or elsewhere. The Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Lender hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as the Lender may elect, and only after such application and after the payment by the Lender of any other amount required

or permitted by any provision of law, including, without limitation, Section 9-504(1) of the Uniform Commercial Code, need the Lender account for the surplus, if any, to the Borrower. To the extent permitted by applicable law, Borrower waives all claims, damages and demands it may acquire against the Lender arising out of the exercise by the Lender of any of its rights hereunder, other than those claims, damages and demands arising from the gross negligence or willful misconduct of the Lender. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. Borrower shall remain liable for any deficiency (plus accrued interest thereon as contemplated pursuant to Section 2.06(b) hereof) if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Lender to collect such deficiency. Because Borrower recognizes that it may not be possible to purchase or sell all of the Collateral on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for such Collateral may not be liquid, Borrower agrees that liquidation of the Collateral does not require a public purchase or sale and that a good faith private purchase or sale shall be deemed to have been made in a commercially reasonable manner. Accordingly, the Lender may elect, in its sole discretion, the time and manner of liquidating any Collateral and nothing contained herein shall (A) obligate the Lender to liquidate any Collateral on the occurrence of an Event of Default or to liquidate all Collateral in the same manner or on the same Business Day or (B) constitute a waiver of any of the Lender's rights or remedies.

4.08 Limitation on Duties Regarding Presentation of Collateral. The Lender's duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as the Lender deals with similar property for its own account. Neither the Lender nor any of its directors, officers or employees shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Borrower or otherwise.

4.09 Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

4.10 Release of Security Interest. Upon termination of this Loan Agreement and repayment to the Lender of all Secured Obligations and the performance of all obligations under the Loan Documents, the Lender shall release its security interest in any remaining Collateral; provided that if any payment, or any part thereof, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Borrower, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or a trustee or similar officer for, Borrower or any substantial part of its Property, or otherwise, this Loan Agreement, all rights hereunder and the Liens created hereby shall continue to be effective, or be reinstated, as though such payments had not been made. So long as no Default or Event of Default has occurred and is continuing and no Borrowing Base Deficiency would result therefrom, the Lender shall, at the written request of Borrower given at least five (5) Business Days' prior to the date of release and provided that the related proceeds of such SBA Loan are remitted to the Collection Account and at least equal an allocation price mutually agreed to by the Lender and the Borrower, release its security interest in a portion of the Collateral.

Section 5. Conditions Precedent.

5.01 Loan Agreement; Initial Advance. The agreement of the Lender to enter into this Loan Agreement and to continue to make Advances requested to be made by it hereunder is subject to the satisfaction, immediately prior to or concurrently with execution of this Loan Agreement and the making of such Advance, of the condition precedent that the Lender shall have received from the Borrower any fees and expenses payable hereunder on the date hereof, and all of the following conditions shall have been satisfied as determined by the Lender:

(a) Loan Documents. The Lender shall have received the Loan Documents, duly executed by the parties thereto;

(b) Filings, Registrations, Recordings. (i) Any documents (including, without limitation, financing statements) required to be filed, registered, or recorded in order to create, in favor of the Lender, a perfected, first-priority security interest in the Collateral, subject to no Liens other than those created hereunder, shall have been properly prepared for filing (including the applicable county(ies) if the Lender determines such filings are necessary in its reasonable discretion), registration or recording in each office in each jurisdiction in which such filings, registrations and recordations are required to perfect such first-priority security interest, and (ii) UCC lien searches in such jurisdictions or shall be applicable to Borrower and the Collateral and which results shall be satisfactory to the Lender;

(c) Opinions of Counsel. An opinion or opinions of counsel as to such matters as the Lender may reasonably request, including customary corporate and enforceability opinions and including, without limitation, a creation and perfection and priority opinion with respect to the Financed Assets, an opinion that neither Borrower nor the Guarantor is an investment company under the Investment Company Act and standard opinions regarding enforceability;

(d) Borrower and Guarantor Organizational Documents. A certificate of existence of Borrower and the Guarantor delivered to the Lender prior to the Effective Date and certified copies of the organizational documents of Borrower and the Guarantor and of all corporate or other authority for Borrower and the Guarantor with respect to the execution, delivery and performance of the Loan Documents and each other document to be delivered by Borrower and the Guarantor from time to time in connection herewith;

(e) Good Standing Certificates. A certified copy of a good standing certificate (or its documentary equivalent) from the jurisdiction of organization of the Guarantor and Borrower dated as of no earlier than the date ten (10) Business Days prior to the Effective Date;

(f) Incumbency Certificates. An incumbency certificate of Borrower and the Guarantor certifying the names, true signatures and titles of the representatives duly authorized to request transactions hereunder and to execute the Loan Documents;

(g) Sutherland Facility Documents. Lender shall have received the Sutherland Repurchase Agreement and the other Facility Documents (as defined in the Sutherland Repurchase Agreement) duly executed by the parties thereto.

(h) Consents, Licenses, Approvals, etc. The Lender shall have received copies certified by Borrower of all consents, licenses and approvals, if any, required in connection with the execution, delivery and performance by Borrower of, and the validity and enforceability of, the Loan Documents, which consents, licenses and approvals shall be in full force and effect;

(i) Evidence of SBA Approval. Evidence satisfactory to the Lender that (i) the SBA has approved the Loan Documents with respect to SBA 7(a) Loans, including but not limited to, the execution and delivery of the Multiparty Agreements, and (ii) Borrower is an SBA-approved non-bank lender as prescribed by the SBA Rules and Regulations;

(j) Insurance. The Lender shall have received evidence in form and substance satisfactory to the Lender showing compliance by the Borrower as of such initial Funding Date with Section 7.11 hereof; and

(k) Other Documents. The Lender shall have received such other documents as the Lender or its counsel may reasonably request.

5.02 Initial and Subsequent Advances. The making of each Advance to the Borrower on any Business Day is subject to the satisfaction of the following further conditions precedent, both immediately prior to the making of such Advance and also after giving effect thereto and to the intended use thereof:

(a) No Default. No Default or Event of Default shall have occurred and be continuing under the Loan Documents;

(b) Reserved;

(c) Representations and Warranties. Both immediately prior to the Advance and also after giving effect thereto and to the intended use thereof, the representations and warranties made by Borrower in Section 6 hereof, shall be true, correct and complete on and as of the date of such Advance in all material respects with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(d) Borrowing Base and Maximum Facility Limit. The aggregate outstanding principal amount of the Advances shall not exceed the Borrowing Base or the Maximum Facility Amount;

(e) Evidence of SBA Approval. Evidence satisfactory to the Lender that the SBA has provided written approval of the acquisition by Borrower of the Assets and the pledge by Borrower of such Assets to the Lender; provided that Borrower shall not acquire or pledge any Assets without such SBA written approval;

(f) Trust Receipt; Asset Schedule; and Exception Report; Etc. The Lender shall have received from the Custodian a Collateral Confirm in respect of all Pledged Assets to be pledged hereunder on such Business Day and a corresponding Asset Schedule and an Exception Report, with Exceptions in respect of such Pledged Assets acceptable to the Lender in its sole discretion, in each case dated such Business Day and duly completed. The Custodian shall have

received acceptable evidence that the Eligible Assets subject to the Advance are not subject to a Fatal Exception. The Lender shall have received from the FTA in respect of each of the SBA 7(a) Loan Notes to be pledged hereunder on such Business Day, an executed receipt in the form of Exhibit A attached to each of the Multiparty Agreements;

(g) Other Documents. The Lender shall also receive all of the documents required under Section 2.03 hereof;

(h) No Absence of Securities Market. There shall not have occurred an event or events resulting in the effective absence of a "securities market" for securities backed by small business loans or an event or events shall have occurred resulting in the Lender not being able to sell securities backed by small business loans at prices which would have been reasonable prior to such event or events;

(i) No Material Adverse Effect. There shall not have occurred one or more events that, in the reasonable judgment of the Lender, constitutes or should reasonably be expected to constitute a Material Adverse Effect;

(j) Requirements of Law. The Lender shall not have determined that the introduction of or a change in any Requirement of Law or in the interpretation or administration of any Requirement of Law applicable to the Lender has made it unlawful, and no Governmental Authority shall have asserted that it is unlawful, for the Lender to enter into Transactions hereunder;

(k) Other Documents. Such other documents as the Lender may reasonably request, consistent with market practices, in form and substance reasonably acceptable to the Lender.

Section 6. Representations and Warranties.

Borrower represents and warrants represents and warrants to the Lender that as of the Effective Date and the date of any Advance hereunder and at all times while the Loan Documents are in full force and effect:

6.01 Asset Schedule. The information set forth in the related Asset Schedule and all other information or data furnished by, or on behalf of, Borrower to the Lender is complete, true and correct in all material respects, and Borrower acknowledges that the Lender has not verified the accuracy of such information or data.

6.02 Solvency. The Loan Documents and each Advance is not entered into in contemplation of insolvency or with intent to hinder, delay or defraud any of the Borrower's creditors. Borrower is not insolvent within the meaning of 11 U.S.C. Section 101(32) and the taking of an Advance pursuant hereto (i) will not cause Borrower to become insolvent, (ii) will not result in any property remaining with Borrower to be unreasonably small capital, and (iii) will not result in debts that would be beyond Borrower's ability to pay as same mature. Borrower has received reasonably equivalent value in exchange for the transfer of the Pledged Assets.

6.03 No Broker. Borrower has not dealt with any broker, investment banker, agent, or other person, except for the Lender, who may be entitled to any commission or compensation in connection with this Loan Agreement.

6.04 Ability to Perform. Borrower does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Loan Documents to which it is a party on its part to be performed.

6.05 Existence. Borrower (a) is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware, (b) has all requisite corporate or other power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect; and (c) is qualified to do business and is in good standing in all other jurisdictions in which the nature of the business conducted by it makes such qualification necessary, except where failure so to qualify would not be reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect.

6.06 Financial Statements. The Guarantor has heretofore furnished to the Lender a copy of its (a) consolidated balance sheet and the consolidated balance sheets of its consolidated Subsidiaries for the fiscal year ended December 31, 2015, and the related consolidated statements of income and retained earnings and of cash flows for Guarantor and its consolidated Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous year, with the opinion thereon of Deloitte & Touche LLP and (b) consolidated balance sheet and the consolidated balance sheets of its consolidated Subsidiaries for the such monthly periods of the Guarantor up until March 31, 2016, and the related consolidated statements of income and retained earnings and of cash flows for the Guarantor and its consolidated Subsidiaries for such monthly periods, setting forth in each case in comparative form the figures for the previous year. All such financial statements are complete and correct and fairly present, in all material respects, the consolidated financial condition of the Guarantor and Borrower and its Subsidiaries and the consolidated results of their operations as at such dates and for such monthly periods, all in accordance with GAAP applied on a consistent basis. Since March 31, 2016, there has been no material adverse change in the consolidated business, operations or financial condition of the Guarantor and its consolidated Subsidiaries taken as a whole from that set forth in said financial statements nor is the Guarantor aware of any state of facts which (without notice or the lapse of time) would or could result in any such material adverse change or could have a Material Adverse Effect. The Guarantor does not have, on March 31, 2016, any liabilities, direct or indirect, fixed or contingent, matured or unmatured, known or unknown, or liabilities for taxes, long-term leases or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheet and related statements, and at the present time there are no material unrealized or anticipated losses from any loans, advances or other commitments of the Guarantor except as heretofore disclosed to the Lender in writing.

6.07 No Breach. Neither (a) the execution and delivery of the Loan Documents nor (b) the consummation of the transactions therein contemplated to be entered into by Borrower in compliance with the terms and provisions thereof will conflict with or result in a breach of the organizational documents of Borrower, or any applicable law, rule or regulation, or any order, writ,

injunction or decree of any Governmental Authority, or other material agreement or instrument to which Borrower or any of its Subsidiaries is a party or by which any of them or any of their Property is bound or to which any of them is subject, or constitute a default under any such material agreement or instrument or result in the creation or imposition of any Lien (except for the Liens created pursuant to the Loan Documents) upon any Property of Borrower, or any of its Subsidiaries pursuant to the terms of any such agreement or instrument.

6.08 Action. Borrower has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under each of the Loan Documents, as applicable; the execution, delivery and performance by Borrower of each of the Loan Documents have been duly authorized by all necessary corporate or other action on its part; and each Loan Document has been duly and validly executed and delivered by Borrower, as applicable, and constitutes a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms.

6.09 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority or any securities exchange are necessary for the execution, delivery or performance by the Borrower of the Loan Documents or for the legality, validity or enforceability thereof, except for filings and recordings in respect of the Liens created pursuant to the Loan Documents.

6.10 Enforceability. This Loan Agreement and all of the other Loan Documents executed and delivered by Borrower in connection herewith are legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their terms except as such enforceability may be limited by (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally and (ii) general principles of equity.

6.11 Indebtedness. Borrower shall not incur any Indebtedness (other than the Indebtedness outstanding under this Loan Agreement and the Loan Documents) without giving prior written notice to the Lender, which notice shall include a description of such Indebtedness in form and substance acceptable to Lender in its sole discretion.

6.12 Material Adverse Effect. Since March 31, 2016, there has been no development or event nor, to Borrower's knowledge, any prospective development or event, which has had or could have a Material Adverse Effect.

6.13 No Default. No Default or Event of Default has occurred and is continuing.

6.14 Real Estate Investment Trust. Guarantor has not engaged in any material "prohibited transactions" as defined in Section 857(b)(6)(B)(iii) and (C) of the Code. Guarantor for its current "tax year" (as defined in the Code) is entitled to a dividends paid deduction under the requirements of Section 857 of the Code with respect to any dividends paid by it with respect to each such year for which it claims a deduction in its Form 1120-REIT filed with the United States Internal Revenue Service for such year.

6.15 Adverse Selection. Borrower has not selected the Pledged Assets in a manner so as to adversely affect the Lender's interest.

6.16 Litigation. There are no actions, suits, arbitrations, investigations (including, without limitation, any of the foregoing which are pending or threatened) or other legal or arbitrable proceedings affecting the Guarantor, Borrower, or any of their Subsidiaries or affecting any of the Property of any of them before any Governmental Authority that (i) questions or challenges the validity or enforceability of any of the Loan Documents or any action to be taken in connection with the transactions contemplated hereby or (ii) (A) with respect to the Guarantor, makes a claim in an aggregate amount greater than $5,000,000, or (B) with respect to Borrower, makes a claim in an aggregate amount greater than $1,000,000.

6.17 Margin Regulations. The use of all funds acquired by Borrower under this Loan Agreement will not conflict with or contravene any of Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System as the same may from time to time be amended, supplemented or otherwise modified.

6.18 Taxes. (i) Borrower has and its Subsidiaries have timely filed all tax returns that are required to be filed by them and have timely paid all Taxes, the failure of which to timely pay would cause a Material Adverse Effect with respect to Borrower, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided. (ii) There are no Liens for Taxes, except for statutory liens for Taxes not yet due and payable.

6.19 Investment Company Act. Neither Borrower nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

6.20 Chief Executive Office/Jurisdiction of Organization. On the Effective Date, Borrower's chief executive office, is, and has been located at 420 Mountain Avenue, 3rd Floor, New Providence, New Jersey 07974. On the Effective Date, Borrower's jurisdiction of organization is Delaware.

6.21 Location of Books and Records. The location where Borrower keeps its books and records, including all computer tapes and records related to the Pledged Assets is its chief executive office.

6.22 True and Complete Disclosure. (a) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of Borrower to the Lender in connection with the negotiation, preparation or delivery of this Loan Agreement and the other Loan Documents or included herein or therein or delivered pursuant hereto or thereto, when taken as a whole, do not contain any untrue statement of material fact or, to Borrower's knowledge, omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of Borrower to the Lender in connection with this Loan Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to a Responsible Officer of Borrower, after due inquiry, that could reasonably be expected to have a Material Adverse Effect that has been disclosed herein, in the other Loan

Documents or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Lender for use in connection with the transactions contemplated hereby or thereby. Notwithstanding anything to the contrary in this provision, in the event that (i) Borrower discovers any information provided to Lender that contains an untrue statement of material fact or omits to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading, and (ii) Borrower provides correct information to Lender prior to any detrimental reliance by Lender, as determined by Lender, on the uncorrected information, no violation of this provision shall have occurred in respect of such information.

6.23 ERISA.

(a) No liability under Section 4062, 4063, 4064 or 4069 of ERISA has been or is expected to be incurred by Borrower, the Guarantor, or any ERISA Affiliate thereof with respect to any Plan which is a Single-Employer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

(b) No Plan which is a Single-Employer Plan had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof, and no such plan which is subject to Section 412 of the Code failed to meet the requirements of Section 436 of the Code as of such last day. Neither Borrower, the Guarantor nor any ERISA Affiliate thereof is subject to a Lien in favor of such a Plan as described in Section 430(k) of the Code or Section 303(k) of ERISA.

(c) Each Plan of Borrower, the Guarantor or each of its Subsidiaries and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code, except where the failure to comply would not result in any Material Adverse Effect.

(d) Neither Borrower, the Guarantor nor any of its Subsidiaries has incurred a tax liability under Chapter 43 of the Code or a penalty under Section 502(i) of ERISA which has not been paid in full, except where the incurrence of such tax or penalty would not result in a Material Adverse Effect.

(e) Neither Borrower, the Guarantor nor any of its Subsidiaries nor any ERISA Affiliate thereof has incurred or reasonably expects to incur any withdrawal liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

6.24 SBA Approvals. Borrower is approved by the SBA as an approved lender. Borrower is in good standing, with no event having occurred or Borrower having any reason whatsoever to believe or suspect will occur, including, without limitation, a change in insurance coverage which would either make Borrower unable to comply with the eligibility requirements for maintaining all such applicable approvals or require notification to the SBA. The SBA has approved the Loan Documents.

6.25 No Reliance. Borrower has made its own independent decisions to enter into the Loan Documents and as to whether such transaction is appropriate and proper for it based upon its

own judgment and upon advice from such advisors (including without limitation, legal counsel and accountants) as it has deemed necessary. Borrower is not relying upon any advice from the Lender as to any aspect of the Loan Documents, including without limitation, the legal, accounting or tax treatment of the Loan Documents.

6.26 Plan Assets. Neither Borrower nor the Guarantor is an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code, and the Pledged Assets are not "plan assets" within the meaning of 29 CFR §2510.3-101, as modified by Section 3(42) of ERISA, in Borrower's hands and transactions by or with Borrower or a Guarantor are not subject to any state or local statute regulating investments of, or fiduciary obligations with respect to governmental plans within the meaning of Section 3(32) of ERISA.

6.27 Anti-Money Laundering Laws. The operations of Borrower and Guarantor are conducted and have been conducted in all material respects in compliance with the applicable anti-money laundering statutes of all jurisdictions to which Borrower or Guarantor are subject and the rules and regulations thereunder, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act) (collectively, the "Anti-Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Borrower or Guarantor or any of their Subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Borrower or Guarantor, threatened.

6.28 No Prohibited Persons. Neither the Borrower nor, to the knowledge of the Borrower, any director, officer, agent or employee of Borrower or any of its subsidiaries is an individual or entity ("Prohibited Person") that is currently the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC-Administered Sanctions"), nor is located, organized or resident in a country or territory that is the subject of OFAC-Administered Sanctions; and Borrower will not directly or indirectly use the proceeds of the Advances hereunder, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Prohibited Person, to fund activities of or business with any Prohibited Person, or in any country or territory, that at the time of such funding or facilitation, is the subject of OFAC-Administered Sanctions, or in a manner that would otherwise cause any Prohibited Person (including any Prohibited Person involved in the Transactions hereunder) to violate any OFAC-Administered Sanctions.

6.29 Collateral; Collateral Security.

(a) Borrower has not assigned, pledged, or otherwise conveyed or encumbered any Pledged Asset to any other Person, and Borrower is the sole owner of such Pledged Asset and has good and marketable title thereto, free and clear of all Liens, in each case except for Liens to be released simultaneously with the Liens granted in favor of the Lender hereunder. Notwithstanding the preceding sentence, Borrower may hereafter jointly own (a) a Pledged Asset with other parties through the sale of Participation Interests to one or more Loan Participants, or (b) any other interests of Borrower in a Pledged Asset through the sale of the Guaranteed Portion in the secondary market ("Secondary Market Sale"); provided that Borrower obtains the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

(b) The provisions of this Loan Agreement are effective to create in favor of the Lender a valid security interest in all right, title and interest of the Borrower in, to and under the Collateral.

(c) Pursuant to the Multiparty Agreements, upon receipt by the FTA of each SBA 7(a) Loan Note, and notice of the Lender's Lien thereon, the Lender shall have a fully perfected first priority security interest therein, in the Pledged Asset evidenced thereby and in Borrower's interest in the related Pledged Property.

(d) Reserved.

(e) Upon the filing of financing statements on Form UCC-1 naming the Lender as "Secured Party" and Borrower as "Debtor", and describing the Collateral, in the jurisdictions and recording offices listed on Schedule 2 attached hereto, the security interests granted hereunder in the Collateral will constitute fully perfected first priority security interests under the Uniform Commercial Code in all right, title and interest of Borrower in, to and under such Collateral which can be perfected by filing under the Uniform Commercial Code.

(f) Upon execution and delivery of the Multiparty Agreements by all of the parties thereto, the Lender shall have a fully-perfected first priority security interest in each Pledged Asset that constitutes an SBA 7(a) Loan.

6.30 Acquisition of SBA Loans and Participation Interests. The origination and collection practices used with respect to the SBA Loans and Participation Interests have been, in all material respects legal, proper, prudent and customary in the commercial and multifamily SBA Loan servicing business. Each of the SBA Loans and Participation Interests, as applicable, complies with the representations and warranties listed in Schedule 1-A or Schedule 1-B hereto.

6.31 Foreign Corrupt Practices Act. Neither the Borrower nor Guarantor nor, to the knowledge of the Borrower or Guarantor, any director, officer, agent or employee of the Borrower or Guarantor is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"); and the Borrower and Guarantor have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure continued compliance therewith.

Section 7. Covenants of the Borrower. On and as of the date of this Loan Agreement and the date of each Advance and on each day until this Loan Agreement is no longer in force and the Secured Obligations have been repaid in full, Borrower covenants as follows:

7.01 Preservation of Existence; Compliance with Law. Borrower shall:

(a) Preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises necessary for the operation of its business;

(b) Comply with the requirements of all applicable laws, rules, regulations and orders, whether now in effect or hereafter enacted or promulgated by any applicable Governmental Authority (including, without limitation, all environmental laws);

(c) Maintain all material licenses, permits or other approvals, including all SBA licenses, permits or other approvals, necessary for Borrower to conduct its business and to perform its obligations under the Loan Documents, and shall conduct its business strictly in accordance with applicable law;

(d) Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied; and

(e) Permit representatives of the Lender, upon reasonable notice (unless an Event of Default shall have occurred and is continuing, in which case, no prior notice shall be required), during normal business hours, to examine, copy and make extracts from its books and records, to inspect any of its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by the Lender.

7.02 Taxes. Borrower and its Subsidiaries shall timely file all tax returns that are required to be filed by them and shall timely pay all material Taxes due, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided.

7.03 Notice of Proceedings or Adverse Change. Borrower shall give notice to the Lender immediately (unless otherwise specified below) after a Responsible Officer of Borrower has any knowledge of:

(a) promptly upon receipt of notice or knowledge of the occurrence of any Default or Event of Default;

(b) with respect to any Eligible Asset pledged to the Lender hereunder, promptly upon receipt of any principal prepayment (in full or partial) of such Pledged Asset (which principal prepayment shall promptly be deposited in the Collection Account);

(c) with respect to any Eligible Asset pledged to the Lender hereunder, immediately upon receipt of notice or knowledge that the underlying Pledged Property has been damaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty, or otherwise damaged so as to affect adversely the Collateral Value of such Pledged Asset;

(d) as soon as practicable, but, in any case, no more than two (2) Business Days, after Borrower has obtained actual knowledge of the existence of any Critical Exception or Fatal Exception with respect to an SBA Loan, notice identifying the SBA Loan with respect to which such Critical Exception or Fatal Exception, as the case may be, exists and detailing the cause of such Critical Exception or Fatal Exception;

(e) promptly upon receipt of notice or knowledge, but, in any case, no more than one (1) Business Day, after Borrower has obtained actual knowledge of the existence of any Environmental Issue with respect to an SBA Loan, notice identifying the SBA Loan with respect to which such Environmental Issue exists and detailing the cause of such Environmental Issue and Borrower shall, if a Pledged Property is subject to an Environmental Issue, direct the Servicer to

immediately stop any foreclosure proceedings and not commence new foreclosure proceedings against such Pledged Property;

(f) Promptly, but no later than five (5) Business Days, upon receipt of notice or knowledge of (i) any material default related to any Collateral, (ii) any material Lien or material security interest (other than security interests created hereby or by the other Loan Documents) on, or material claim asserted against, any of the Collateral or (iii) any event or change in circumstances which could reasonably be expected to have a Material Adverse Effect;

(g) promptly, but no later than two (2) Business Days after Borrower receives any of the same, deliver to the Lender a true, complete, and correct copy of any schedule, report, notice, or any other document delivered to Borrower by any Person pursuant to, or in connection with, any of the SBA Loans; or

(h) upon discovery by Borrower or the Lender of any breach of any representation or warranty listed on Schedule 1-A or Schedule 1-B hereto applicable to any Eligible Asset, the party discovering such breach shall promptly give notice of such discovery to the other.

7.04 Financial Reporting. The Guarantor shall maintain a system of accounting established and administered in accordance with GAAP, and furnish to the Lender:

(a) Within one hundred and twenty (120) days after the close of each fiscal year, Financial Statements, including a statement of income and changes in shareholders' equity of the Guarantor for such year, and the related balance sheet as at the end of such year, all in reasonable detail and accompanied by an opinion of an accounting firm as to said financial statements;

(b) Within forty-five (45) days after the close of each of the Guarantor's first three fiscal quarters in each fiscal year unaudited balance sheets and income statements, for the period from the beginning of such fiscal year to the end of such quarter, subject, however, to year-end adjustments;

(c) Simultaneously with the furnishing of each of the financial statements to be delivered pursuant to subsection (a) or (b) above a certificate in form and substance acceptable to the Lender in its sole discretion and certified by a Responsible Officer of a Guarantor;

(d) If applicable, copies of any 10-Ks, 10-Qs, registration statements and other "corporate finance" SEC filings (other than 8-Ks) by Guarantor, within five (5) Business Days of their filing with the SEC; provided, that, Guarantor or any Affiliate will provide the Lender with a copy of the annual 10-K filed with the SEC by Borrower or its Affiliates, no later than ninety (90) days after the end of the year; and

(e) Promptly, from time to time, such other information regarding the business affairs, operations and financial condition of Guarantor as the Lender may reasonably request.

7.05 Visitation and Inspection Rights. Borrower, Guarantor and Investment Manager shall permit the Lender to inspect, and to discuss with Borrower's, Guarantor's or Investment

Manager's, as applicable, officers, agents and auditors, the affairs, finances, and accounts of Borrower, Guarantor or Investment Manager, as applicable, the SBA Loans, and Borrower's, Guarantor's or Investment Manager's, as applicable, books and records, and to make abstracts or reproductions thereof and to duplicate, reduce to hard copy or otherwise use any and all computer or electronically stored information or data, in each case, (i) during normal business hours, (ii) upon reasonable notice (provided, that upon the occurrence of an Event of Default, no notice shall be required), and (iii) at the expense of Borrower, Guarantor or Investment Manager, as applicable, to discuss with its officers, its affairs, finances, and accounts.

7.06 Reimbursement of Expenses. On the date of execution of this Loan Agreement, Borrower shall reimburse the Lender for all expenses incurred by the Lender on or prior to such date. From and after such date, Borrower shall promptly reimburse the Lender for all expenses as the same are incurred by the Lender and within thirty (30) days of the receipt of invoices therefor.

7.07 Further Assurances. Borrower shall execute and deliver to the Lender all further documents, financing statements, agreements and instruments, and take all further action that may be required under applicable law, or that the Lender may reasonably request, in order to effectuate the transactions contemplated by this Loan Agreement and the Loan Documents or, without limiting any of the foregoing, to grant, preserve, protect and perfect the validity and first- priority of the security interests created or intended to be created hereby. Borrower shall do all things necessary to preserve the Collateral so that it remains subject to a first priority perfected security interest hereunder. Without limiting the foregoing, Borrower will comply with all rules, regulations, and other laws of any Governmental Authority and cause the Collateral to comply with all applicable rules, regulations and other laws. Borrower will not allow any default for which Borrower is responsible to occur under any Pledged Asset or any Loan Document and Borrower shall fully perform or cause to be performed when due all of its obligations under any Pledged Asset or the Loan Documents.

7.08 True and Correct Information. All information, reports, exhibits, schedules, financial statements or certificates of the Guarantor, Investment Manager or Borrower or any of its Affiliates thereof or any of their officers furnished to the Lender hereunder and during the Lender's diligence of the Guarantor, Investment Manager and the Borrower are and will be true and complete and will not, to Borrower's knowledge, omit to disclose any material facts necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. All required financial statements, information and reports delivered by the Guarantor, Investment Manager or Borrower to the Lender pursuant to this Loan Agreement shall be prepared in accordance with GAAP, or in applicable, to SEC filings, the appropriate SEC accounting requirements. Notwithstanding anything to the contrary in this provision, in the event that (i) Borrower discovers any information provided to Lender that contains an untrue statement of material fact or omits to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading, and (ii) Borrower provides correct information to Lender prior to any detrimental reliance by Lender, as determined by Lender, on the uncorrected information, no violation of this provision shall have occurred in respect of such information.

7.09 ERISA Events.

(a) Promptly upon becoming aware of the occurrence of any Event of ERISA Termination which together with all other Events of ERISA Termination occurring within the prior 12 months involve a payment of money by or a potential aggregate liability of Borrower and/or Guarantor or any ERISA Affiliate thereof or any combination of such entities in excess of $1,000,000 the Borrower shall give the Lender a written notice specifying the nature thereof, what action Borrower or Guarantor or any ERISA Affiliate thereof has taken and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto;

(b) Promptly upon receipt thereof, Borrower shall furnish to the Lender copies of (i) all notices received by Borrower or Guarantor or any ERISA Affiliate thereof of the PBGC's intent to terminate any Plan or to have a trustee appointed to administer any Plan; (ii) all notices received by Borrower or Guarantor or any ERISA Affiliate thereof from the sponsor of a Multiemployer Plan pursuant to Section 4202 of ERISA involving a withdrawal liability in excess of $1,000,000; and (iii) all funding waiver requests filed by Borrower or Guarantor or any ERISA Affiliate thereof with the Internal Revenue Service with respect to any Plan, the accrued benefits of which exceed the present value of the plan assets as of the date the waiver request is filed by more than $1,000,000, and all communications received by Borrower or Guarantor or any ERISA Affiliate thereof from the Internal Revenue Service with respect to any such funding waiver request.

7.10 No Adverse Selection. Borrower shall not select Eligible Assets using any type of adverse selection or other selection criteria which would adversely affect the Lender.

7.11 Insurance. Borrower shall continue to maintain Fidelity Insurance in an aggregate amount at least equal to $2,000,000. Sutherland, Investment Manager and Guarantor shall continue to maintain Fidelity Insurance in an aggregate amount at least equal to $10,000,000. Borrower, Investment Manager and Guarantor shall maintain Fidelity Insurance in respect of its officers and employees, with respect to any claims made in connection with all or any portion of the Pledged Assets. Borrower, Investment Manager and Guarantor shall notify the Lender of any material change in the terms of any such Fidelity Insurance.

7.12 Books and Records. Borrower shall, to the extent practicable, maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the SBA Loans in the event of the destruction of the originals thereof), and keep and maintain or obtain, as and when required, all documents, books, records and other information reasonably necessary or advisable for the collection of all SBA Loans.

7.13 Illegal Activities. Borrower shall not engage in any conduct or activity that could subject its assets to forfeiture or seizure.

7.14 Material Change in Business. Neither Borrower nor Guarantor shall make any material change in the nature of its business as carried on at the date hereof.

7.15 Limitation on Dividends and Distributions. Following the occurrence and during the continuation of an Event of Default or if an Event of Default would result therefrom, neither

Borrower nor Guarantor shall make any payment on account of, or set apart assets for, a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of any equity interest of Borrower or Guarantor, whether now or hereafter outstanding, or make any other distribution or dividend in respect of any of the foregoing or to any shareholder or equity owner of Borrower or Guarantor, either directly or indirectly, whether in cash or property or in obligations of Borrower or Guarantor or any of Borrower's or Guarantor's consolidated Subsidiaries; provided that the Guarantor shall be permitted to pay such dividends to the extent funds are distributed to the Guarantor and only in order to satisfy the REIT Distribution Requirement.

7.16 Disposition of Assets; Liens. Neither Borrower nor Guarantor shall convey, sell, lease, assign, transfer or otherwise dispose of (collectively, "Transfer"), all or substantially all of its Property, business or assets (including, without limitation, receivables and leasehold interests) whether now owned or hereafter acquired (other than a Transfer that is an ordinary course securitization) or allow any Subsidiary (other than a special purpose entity established in accordance with customary secondary market procedures for the financing or sale of specified assets) to Transfer substantially all of its assets to any Person; provided that Borrower or Guarantor may after prior written notice to the Lender allow such action with respect to any Subsidiary which is not a material part of the Borrower's overall business operations.

7.17 Transactions with Affiliates. Borrower shall not enter into any transaction, including, without limitation, the purchase, sale, lease or exchange of property or assets or the rendering or accepting of any service with any Affiliate, unless such transaction is (a) not otherwise prohibited in this Loan Agreement, (b) in the ordinary course of Borrower's business, (c) a securitization transaction entered into by Borrower which does not include any Financed Assets financed under the Loan Documents (other than as permitted by this Loan Agreement) and (d) upon fair and reasonable terms no less favorable to Borrower than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

7.18 ERISA Matters.

(a) Neither Borrower nor Guarantor shall permit any event or condition which is described in any of clauses (i) through (viii) of the definition of "Event of ERISA Termination" to occur or exist with respect to any Plan or Multiemployer Plan if such event or condition, together with all other events or conditions described in the definition of Event of ERISA Termination occurring within the prior 12 months, involves the payment of money by or an incurrence of liability of Borrower or Guarantor or any ERISA Affiliate thereof, or any combination of such entities in an amount in excess of $1,000,000.

(b) Neither Borrower nor Guarantor shall be an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code and neither Borrower nor Guarantor shall use "plan assets" within the meaning of 29 CFR §2510.3-101, as modified by Section 3(42) of ERISA, to engage in this Loan Agreement or the Transactions hereunder, and transactions by or with Borrower or Guarantor are not subject to any state or local statute regulating investments of, or fiduciary obligations with respect to governmental plans within the meaning of Section 3(32) of ERISA**.**

7.19 Consolidations, Mergers and Sales of Assets. Borrower shall not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer all or substantially all of its assets to any other Person.

7.20 REIT Status. Guarantor shall maintain its status as a real estate investment trust under Section 856 of the Code, as amended, and shall be entitled to claim dividend paid deductions pursuant to Section 857 of the Code, as amended.

7.21 Asset Tape. Borrower shall deliver to the Lender monthly, on or before fifteen (15) days after the end of each calendar month, (i) a schedule in computer-readable form, containing such information reasonably requested by the Lender, including, without limitation, servicing information, with those fields specified by the Lender from time to time, on a loan-by- loan basis and in the aggregate, with respect to the SBA Loans (other than Participant Loans) pledged hereunder by Borrower or any other Servicer of the SBA Loans (if any), including any fields Lender may reasonably request in order to determine the Market Value of the Financed Assets and all data which the Lender is required to obtain for any regulatory reporting purposes and (ii) a status sheet schedule, containing such information reasonably requested by the Lender with those fields specified by the Lender from time to time, on a loan-by-loan basis and in the aggregate, with respect to the Participant Loans pledged hereunder by Borrower, including any fields Lender may reasonably request in order to determine the Market Value of the Financed Assets and all data which the Lender is required to obtain for any regulatory reporting purposes (collectively, the "Asset Tape").

7.22 Financial Covenants.

(a) The Guarantor shall not permit at any time Total Stockholder's Equity to be less than the sum of (1) sixty percent (60%) of Total Stockholder's Equity as of the Effective Date plus (2) fifty percent (50%) of the net proceeds of any equity issuance after the Effective Date.

(b) The Guarantor shall maintain at all times a Leverage ratio of less than 2.5:1, of which 0.5 of the 2.5 comprising the Indebtedness of the Leverage ratio for such fiscal quarters shall be comprised of short-term U.S. Treasury securities.

(c) The Guarantor shall maintain at all times Liquidity of at least the lesser of (1) four percent (4%) of the sum of (without duplication) (A) any outstanding recourse Indebtedness plus (B) the aggregate amount of Indebtedness outstanding under this Loan Agreement and (2) $25,000,000.

7.23 No Amendment or Waiver. Borrower will not, nor will it permit or allow others to amend, modify, terminate or waive any provision of any Financed Asset to which Borrower is a party in any manner which shall reasonably be expected to materially and adversely affect the value of such Financed Asset as Collateral unless the Lender consents in writing after being provided at least five (5) Business Days' prior written notice from the Borrower, together with a written summary, of such amendment, modification or termination. After the Funding Date, until the Lien of any Pledged Asset is released by the Lender, Borrower will not have any right to materially modify or alter the terms of such SBA Loan except with the permission of the SBA in accordance with the SBA Guaranty Agreement and Borrower will not have any obligation or right

to repossess such SBA Loan or substitute another SBA Loan. In the event that such SBA Loan is modified, Borrower shall forward a copy of such modification to the Lender.

7.24 Borrower Assignments. Within five (5) Business Days of the acquisition of an SBA 7(a) Loan, the Borrower shall send for recording: (a) each assignment of Mortgage in recordable form in the name of the Borrower, (b) each assignment of assignments of leases and rents in recordable form in the name of the Borrower and (c) each UCC assignment in recordable form in the name of the Borrower.

7.25 Restrictions on Sale or Other Disposition of Financed Assets. No Transfer of Financed Assets shall be permitted, (i) to the extent such Transfer would cause a Default or Event of Default, or (ii) unless prior to the sale or other disposition of a Financed Asset, the Borrower has submitted the terms of proposed sale to the Lender, and the Lender shall have the right to re-determine the Market Value of the Financed Assets which would remain subsequent to the sale and require any resulting Margin Deficit payment be paid in conjunction with the proposed sale.

Section 8. Events of Default. Each of the following events shall constitute an event of default (an "Event of Default"):

8.01 Payment Default. Borrower shall fail to (i) pay interest which failure remains unremedied for one (1) Business Day following its due date, (ii) pay any principal payment, Margin Deficit or Repayment Amount when due, or (iii) pay fees or other amounts not specified in clauses (i) or (ii) which failure remains unremedied for two (2) Business Days following the date on which they are due; or

8.02 Representation and Warranty Breach. Any representation, warranty or certification made or deemed made herein or in any other Loan Document by the Borrower or any certificate furnished to the Lender pursuant to the provisions hereof or thereof or any information with respect to the SBA Loans furnished in writing by or on behalf of the Borrower or Borrower shall prove to have been untrue or misleading in any material respect as of the time made or furnished (other than the representations and warranties set forth in Schedule 1-A and Schedule 1-B which shall be considered solely for the purpose of determining the Market Value of the Assets; unless Lender determines that (i) the Borrower shall have made any such representations and warranties with actual knowledge that they were materially false or misleading at the time made; (ii) any such representations and warranties have been materially false or misleading on a regular basis); or

8.03 Immediate Covenant Defaults. The failure of the Borrower to perform, comply with or observe any term, covenant or agreement applicable to Borrower contained in any of Sections 7.01 (Preservation of Existence, Compliance with Law), 7.08 (True and Correct Information), 7.10 (No Adverse Selection), 7.13 (Illegal Activities), 7.14 (Material Change in Business), 7.15 (Limitation of Dividends and Distributions), 7.16 (Disposition of Assets; Liens), 7.17 (Transactions with Affiliates), 7.19 (Consolidations, Mergers and Sales of Assets), 7.20 (REIT Status), 7.21 (Asset Tape), 7.22 (Financial Covenants), 7.23 (No Amendment or Waiver), or 7.25 (Restrictions on Sale or Other Disposition of Financed Assets) hereof; or

8.04 Additional Covenant Defaults. The Borrower shall fail to observe or perform any other covenant or agreement contained in this Loan Agreement (and not identified in Section 8.03)

or any other Loan Document, and if such default shall be capable of being remedied, and such failure to observe or perform shall continue unremedied for a period of one (1) Business Day; or

8.05 Judgments. A judgment or judgments for the payment of money in excess of $1,000,000 in the aggregate shall be rendered against the Borrower in the aggregate by one or more courts, administrative tribunals or other bodies having jurisdiction and the same shall not be satisfied, discharged (or provision shall not be made for such discharge) or bonded, or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof, and the Borrower shall not, within said period of thirty (30) days, or such longer period during which execution of the same shall have been stayed or bonded, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

8.06 Reserved; or

8.07 Insolvency Event. An Insolvency Event shall have occurred with respect to the Borrower; or

8.08 Enforceability. For any reason this Loan Agreement at any time shall not to be in full force and effect in all material respects or shall not be enforceable in all material respects in accordance with its terms against Borrower, or any Lien granted pursuant hereto shall fail to be perfected and of first priority, or any Person (other than the Lender) shall contest the validity, enforceability, perfection or priority of any Lien granted pursuant thereto, or any party thereto (other than Lender) shall seek to disaffirm, terminate, limit or reduce its obligations hereunder; or

8.09 Liens. The Borrower shall grant, or suffer to exist, any Lien on any Assets (except any Lien in favor of the Lender); or the Liens contemplated hereby shall fail to be first priority perfected Liens on any Assets, as applicable and the related Collateral in favor of the Lender; or

8.10 Material Adverse Effect. As determined by Lender in its sole discretion, there shall have occurred a Material Adverse Effect with respect to the Borrower and/or the Collateral; or

8.11 Change in Control. There shall have occurred a Change in Control in either the Borrower; or

8.12 Going Concern. The Borrower shall have audited financial statements or notes thereto or other opinions or conclusions stated therein that shall be qualified or limited by reference to the status of Borrower as a "going concern" or reference of similar import; or

8.13 Inability to Perform. An officer of the Borrower shall admit its inability to, or its intention not to, perform any of Borrower's obligations; or

8.14 SBA Rules and Regulations. Any action by SBA, including without limitation, an amendment or modification of the SBA Rules and Regulations, which would reasonably be likely to materially and adversely affect Lender's or Borrower's rights under the SBA Guaranty Agreement; or

8.15 Replacement of Servicers. The failure of the Borrower to replace any Servicer in accordance with the applicable Servicing Agreement within the earlier of (1) the timeframe set

forth in such Servicing Agreement or (2) thirty (30) days, in either case, upon a default of the Servicer thereunder or upon a failure to maintain required approval by the SBA; provided that, such failure shall give rise to an Event of Default only if such failure occurs following SBA consent to a transfer of servicing; or

8.16 Reserved.

8.17 Reserved.

Notwithstanding any other provision of this Section 8 any grace or notice period provided herein in respect of a notice to be given or action to be taken by the Lender may be shortened or eliminated by the Lender if, in its sole discretion, it is unreasonable to do so under the circumstances, taking into consideration, among other things, the volatility of the market for the Financed Assets or other securities involved, the extent and nature or any Event of Default (or events which with the giving of such notice and passage of time would constitute Events of Default) and the risks inherent in deferring the exercise of remedies for the otherwise applicable grace or notice period.

Section 9. Remedies Upon Default.

9.01 Remedies. Upon the occurrence of one or more Events of Default then, and in every such event (other than an event described in Section 8.07) and at any time thereafter during the continuance of such event, the Lender may take any or all of the following actions, at the same or different times: (i) cease to make Advances, (ii) declare the principal of and any accrued interest on the Advances, and all other Secured Obligations owing hereunder, to be, whereupon the same shall become, due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, (iii) exercise all remedies contained in this Loan Agreement and any other Loan Document, and (iv) exercise any other remedies available at law or in equity; and that, if an Event of Default specified in Section 8.07 shall occur, no further Advances shall be made and the principal of the Advances then outstanding, together with accrued interest thereon, and all fees, and all other Secured Obligations shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided, that the exercise of remedies under this Section 9.01 shall be subject to the Multiparty Agreements.

9.02 Physical Possession. Upon the occurrence of one or more Events of Default, the Lender shall have the right to obtain physical possession of the Servicing Records, the SBA Loan Files and all other files of the Borrower relating to the Collateral and all documents relating to the Collateral which are then or may thereafter come in to the possession of Borrower or any third party acting for Borrower and the Borrower shall deliver to the Lender such assignments as the Lender shall request; provided, however, that the Lender shall first obtain the prior written consent of the SBA as required by the Multiparty Agreements. The Lender shall be entitled to specific performance of all agreements of the Borrower contained in this Loan Agreement.

9.03 Lender's Appointment as Attorney-in-Fact. Upon the occurrence of one or more Events of Default, the Lender shall have the right to exercise such authority as it may have pursuant to Section 4.04 hereof.

9.04 Cross-Collateralization. Concurrently with the effectiveness of this Agreement, the Guarantor shall enter into the Sutherland Repurchase Agreement. Notwithstanding the obligations of the Guarantor hereunder, in no event shall the Pledged Assets hereunder be available to the Lender to satisfy the obligations of the Guarantor to the Lender, as buyer, under the Sutherland Repurchase Agreement.

Section 10. No Duty of Lender. The powers conferred on the Lender hereunder are solely to protect the Lender's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Borrower for any act or failure to act hereunder, except for its or their own gross negligence or willful misconduct.

Section 11. Indemnification And Expenses.

11.01 Indemnification. Borrower agrees to hold the Lender and each of its officers, directors, employees, advisors and agents (each, an "Indemnified Party") harmless from and indemnify each Indemnified Party against all liabilities, losses, damages, judgments, costs and expenses of any kind (including reasonable fees of counsel) which may be imposed on, incurred by or asserted against such Indemnified Party (collectively, "Costs"), relating to or arising out of this Loan Agreement, any other Loan Document or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Loan Agreement, any other Loan Document or any transaction contemplated hereby or thereby, that, in each case, results from anything other than the Indemnified Party's gross negligence or willful misconduct; provided that Costs shall not include Costs of any claim made by an Indemnified Party if a court or arbitrator has made a final, non-appealable judgment in favor of Borrower with respect to such claim. Without limiting the generality of the foregoing, Borrower agrees to hold each Indemnified Party harmless from and indemnify such Indemnified Party against all Costs with respect to all SBA Loans relating to or arising out of (i) any Environmental Issue, (ii) the gross negligence, fraud or willful misconduct of Borrower or any of its officers, directors, employees or agents (each a "Borrower Party") arising out of, relating to, or in any way connected with, Borrower's representations, warranties, covenants, rights, obligations or liabilities under any Loan Document, including without limitation, the misappropriation of funds by any Borrower Party, (iii) any failure by a Borrower Party to properly apply insurance or Condemnation Proceeds on account of the applicable SBA Loan, or (iv) any failure to timely deliver any Asset File or document therein as required by the Custodial Agreement. In any suit, proceeding or action brought by any Indemnified Party in connection with any SBA Loan for any sum owing thereunder, or to enforce any provisions of any SBA Loan, the Borrower will save, indemnify and hold such Indemnified Party harmless from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by Borrower of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from Borrower. Borrower also agrees to reimburse any Indemnified Party as and when billed by such Indemnified Party for all such Indemnified Party's reasonable costs and expenses incurred in connection with the enforcement or the preservation of such Indemnified Party's rights under this Loan Agreement, the Note, any other Loan Document or any transaction contemplated hereby or thereby, including, without limitation

the reasonable fees and disbursements of its counsel. Borrower hereby acknowledges that, notwithstanding the fact that the Note is secured by the Collateral, the obligation of Borrower under the related Note is a recourse obligation of Borrower.

11.02 Expenses. Borrower agrees to pay as and when billed by the Lender (a) all reasonable and documented out-of-pocket expenses of the Lender associated with the Facility (including but not limited to a collateral audit and originator/servicing review to be performed by a third party auditor/appraiser selected by Lender) and the preparation, execution, delivery and administration of this Loan Agreement and the Loan Documents and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel), (b) all reasonable and documented out-of-pocket expenses of the Lender and the Lender's counsel (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Loan Documents, (c) reasonable and documented on-going audit and due diligence expenses (including small business loan file and appraisal or other valuation reviews and inspections) including, but not limited to, those costs and expenses incurred by the Lender pursuant to Section 14 hereof, (d) all documented fees and expenses of the Custodian and (e) all the Costs pursuant to Section 11.01.

11.03 Full Recourse. The obligations of Borrower from time to time to pay the Advances, the interest, and all other amounts due under this Loan Agreement shall be full recourse obligations of the Borrower.

Section 12. Servicing.

12.01 Servicing of SBA Loans. Borrower covenants to cause each Servicer of the SBA Loans to service, the SBA Loans in conformity with accepted and prudent servicing practices in the industry for the same type of SBA Loans as the Pledged Assets and in a manner at least equal in quality to the servicing the Borrower provides for SBA Loans which it owns, including without limitation, those requirements set forth in the applicable Servicing Agreements.

12.02 Collateral Assignee. Borrower agrees that the Lender is the collateral assignee of all servicing records with respect to the Pledged Assets, including, but not limited to, any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of SBA Loans (the "Servicing Records"), and (ii) Borrower grants the Lender a security interest in all of Borrower's rights relating to the Pledged Assets and all related Servicing Records to secure the Secured Obligations of Borrower or its designee to service in conformity with this Section and any other obligation of Borrower to the Lender. Borrower covenants to safeguard such Servicing Records and to deliver them promptly to the Lender or its designee at the Lender's request following the occurrence of an Event of Default.

12.03 Servicing Agreement. In the event Borrower enters into any servicing agreement to service any or all of the SBA Loans (each, a "Servicing Agreement"), Borrower (i) shall provide a copy of any Servicing Agreement to the Lender, which shall be subject to the review and approval of the Lender in its sole discretion, and (ii) hereby irrevocably assigns to the Lender and the

Lender's successors and assigns all right, title and interest of Borrower in, to and under, and the benefits of, any Servicing Agreement with respect to the Pledged Assets.

12.04 Event of Default. Upon the occurrence and during the continuance of an Event of Default hereunder and in all events, subject to the Multiparty Agreements, the Lender shall have the right to immediately terminate and transfer the servicing in accordance with the terms of the related Servicing Agreement or the Participation Agreement, to the extent permitted thereunder. Regardless of whether the Lender exercises such termination right, other than with respect to Participation Interests, the Lender will be named as an intended third-party beneficiary under such servicing, sub-servicing or master servicing agreement (or pursuant to a servicer direction letter with respect to such agreement in the form of Exhibit F) with, upon an Event of Default or Borrower's failure to enforce the related servicing agreement within three (3) Business Days following a breach, full enforcement rights as if a party thereto with respect to the SBA Loans. Each Servicer will execute an acknowledgment of the Lender's rights with respect to the SBA Loans and Participation Interests, as applicable. Borrower shall cooperate in transferring the servicing or managing, as applicable, of the SBA Loans to a successor servicer or manager, as applicable, appointed by the Lender in its sole discretion.

Section 13. Recording Of Communications. The Lender and Borrower shall have the right (but not the obligation) from time to time to make or cause to be made tape recordings of communications between its employees and those of the other party with respect to Transactions upon notice to the other party of such recording. The Lender and Borrower consent to the admissibility of such tape recordings in any court, arbitration, or other proceedings. The parties agree that a duly authenticated transcript of such a tape recording shall be deemed to be a writing conclusively evidencing the parties' agreement.

Section 14. Due Diligence. Borrower acknowledges that the Lender has the right to perform continuing due diligence reviews with respect to the SBA Loans (which may include obtaining appraisals and performing compliance, legal, credit and servicing file reviews) for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and Borrower agrees that upon reasonable (but no less than five (5) Business Days') prior notice to Borrower (unless a Default shall have occurred, in which case no prior notice shall be required), the Lender or its authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the SBA Loan Files and any and all documents, records, agreements, instruments or information relating to such SBA Loans in the possession or under the control of Borrower. Borrower also shall make available to the Lender a knowledgeable financial or accounting officer for the purpose of answering questions respecting the SBA Loan Files and the SBA Loans. Without limiting the generality of the foregoing, Borrower acknowledges that the Lender may make Advances to Borrower based solely upon the information provided by Borrower to the Lender in the Asset Tape and the representations, warranties and covenants contained herein, and that the Lender, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the SBA Loans securing such Advance, including, without limitation, ordering new credit reports and new appraisals on the related Pledged Properties and otherwise re- generating the information used to originate such SBA Loan. The Lender may underwrite such SBA Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. Borrower agrees to cooperate with the Lender and any third party underwriter in connection with such underwriting,

including, but not limited to, providing the Lender and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such SBA Loans in the possession, or under the control, of Borrower. Borrower further agrees that Borrower shall reimburse the Lender for any and all reasonable and documented out-of-pocket costs and expenses incurred by the Lender in connection with the Lender's activities pursuant to this Section 14; provided that prior to the occurrence of an Event of Default, such reimbursement shall not exceed $25,000 for any one (1) year period (excluding any reimbursement for due diligence conducted prior to the Effective Date or otherwise associated with the initial closing and funding of this Loan Agreement).

Section 15. Assignability; Amendment.

15.01 Assignment and Acceptance. The rights and obligations of the parties under this Loan Agreement shall not be assigned by Borrower without the prior written consent of the Lender. Subject to the foregoing, this Loan Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Nothing in this Loan Agreement express or implied, shall give to any Person, other than the parties to this Loan Agreement and their successors hereunder, any benefit of any legal or equitable right, power, remedy or claim under this Loan Agreement. The Lender may from time to time assign, solely with the consent of the SBA and subject to the Multiparty Agreements, and subject to the following restrictions, all or a portion of its rights and obligations under this Loan Agreement and the Loan Documents, pursuant to an executed assignment and acceptance by the Lender and assignee ("Assignment and Acceptance"), specifying the percentage or portion of such rights and obligations assigned; provided that to the extent no Event of Default shall have occurred and be continuing, the Lender shall not make an assignment to a Competitor. Upon such assignment, (a) such assignee shall be a party hereto and to each Loan Document to the extent of the percentage or portion set forth in the Assignment and Acceptance, and shall succeed to the applicable rights and obligations of the Lender hereunder, and (b) the Lender shall, to the extent that such rights and obligations have been so assigned by it be released from its obligations hereunder and under the Loan Documents. Unless otherwise stated in the Assignment and Acceptance, Borrower shall continue to take directions solely from the Lender unless otherwise notified by the Lender in writing. The Lender may distribute to any prospective assignee any document or other information delivered to the Lender by Borrower.

15.02 Participations. The Lender may sell participations to one or more Persons in or to all or a portion of its rights and obligations under this Loan Agreement solely with the consent of the SBA and subject to the Multiparty Agreements provided that (i) the Lender's obligations under this Loan Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (iii) Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Loan Agreement and the other Loan Documents except as provided in Section 2.10.

15.03 Disclosures. The Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 15, disclose to the assignee or participant or proposed assignee or participant, as the case may be, any information relating to Borrower or any of its Subsidiaries that has been furnished to the Lender by or on behalf of

Borrower or any of its Subsidiaries; provided that such assignee or participant agrees to hold such information subject to the confidentiality provisions of this Loan Agreement.

15.04 Amendment to Loan Agreement. In the event the Lender assigns all or a portion of its rights and obligations under this Loan Agreement, the parties hereto agree to negotiate in good faith an amendment to this Loan Agreement to add agency provisions similar to those included in repurchase agreements for similar syndicated repurchase facilities. This Loan Agreement may be amended by written agreement by the parties hereto; provided that any amendment shall be subject to the Multiparty Agreements.

15.05 Hypothecation or Pledge of Pledged Assets. Nothing in this Loan Agreement shall preclude the Lender from repledging the Financed Assets with the consent of the SBA and subject to the Multiparty Agreements, in accordance with applicable law, but in the case of Participation Interests, subject to the restrictions set forth in the related Participation Agreement. Nothing contained in this Loan Agreement shall obligate the Lender to segregate any Financed Assets delivered to the Lender by the Borrower.

Section 16. Transfer and Maintenance of Register.

16.01 Rights and Obligations. Subject to acceptance and recording thereof pursuant to Section 16.02, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of the Lender under this Loan Agreement. Any assignment or transfer by the Lender of rights or obligations under this Loan Agreement that does not comply with this Section 16 shall be treated for purposes of this Loan Agreement as a sale by such the Lender of a participation in such rights and obligations in accordance with Section 15.02 hereof.

16.02 Register. Borrower shall maintain a register (the "Register") on which it will record the Lender's rights hereunder, and each Assignment and Acceptance and participation. The Register shall include the names and addresses of the Lender (including all assignees, successors and participants) and the percentage or portion of such rights and obligations assigned. Failure to make any such recordation, or any error in such recordation shall not affect Borrower's obligations in respect of such rights. If the Lender sells a participation in its rights hereunder, it shall provide the Borrower, or maintain as agent of the Borrower, the information described in this Section and permit the Borrower to review such information as reasonably needed for the Borrower to comply with its obligations under this Loan Agreement or under any applicable Requirement of Law.

Section 17. Suspension of Payments.

17.01 Reserved.

17.02 Suspension of Payments. The Lender shall at any time have the right, in each case until such time as the Lender determines otherwise, to retain, to suspend payment or performance of, or to decline to remit, any amount or property that the Lender would otherwise be obligated to pay, remit or deliver to the Borrower hereunder if an Event of Default or Default shall have occurred.

Section 18. Terminability. Each representation and warranty made or deemed to be made in connection with an Advance, herein or pursuant hereto shall survive the making of such representation and warranty, and the Lender shall not be deemed to have waived any Default that may arise because any such representation or warranty shall have proved to be false or misleading, notwithstanding that the Lender may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time the Advance was made. The obligations of the Borrower under Section 11 hereof shall survive the termination of this Loan Agreement.

Section 19. Notices And Other Communications. Except as otherwise expressly permitted by this Loan Agreement, all notices, requests and other communications provided for herein (including without limitation any modifications of, or waivers, requests or consents under, this Loan Agreement) shall be given or made in writing (including without limitation by electronic transmission) delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or thereof); or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. Except as otherwise provided in this Loan Agreement and except for notices given under Section 2 (which shall be effective only on receipt), all such communications shall be deemed to have been duly given when transmitted electronically or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid. In all cases, to the extent that the related individual set forth in the respective "Attention" line is no longer employed by the respective Person, such notice may be given to the attention of a Responsible Officer of the respective Person or to the attention of such individual or individuals as subsequently notified in writing by a Responsible Officer of the respective Person.

Section 20. Entire Agreement; Severability; Single Agreement.

20.01 Entire Agreement. This Loan Agreement, together with the Loan Documents, constitute the entire understanding between the Lender and the Borrower with respect to the subject matter they cover and shall supersede any existing agreements between the parties containing general terms and conditions for transactions involving Financed Assets. By acceptance of this Loan Agreement, the Lender and the Borrower acknowledge that they have not made, and are not relying upon, any statements, representations, promises or undertakings not contained in this Loan Agreement. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

20.02 Single Agreement. The Lender and Borrower acknowledge that, and have entered hereinto and will enter into each Advance hereunder in consideration of and in reliance upon the fact that, all Advances hereunder constitute a single business and contractual relationship and that each has been entered into in consideration of the other Advances. Accordingly, each of the Lender and Borrower agrees (i) to perform all of its obligations in respect of each Advance hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Advances hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Advance against obligations owing to them in respect of any other Advance hereunder; (iii) that payments, deliveries, and other transfers made by either of them in respect of any Advance shall be deemed to have been made in consideration of payments,

deliveries, and other transfers in respect of any other Advances hereunder, and the obligations to make any such payments, deliveries, and other transfers may be applied against each other and netted and (iv) to promptly provide notice to the other after any such set off or application.

Section 21. Governing Law; Submission to Jurisdictions; Waivers.

21.01 GOVERNING LAW. THIS LOAN AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

21.02 SUBMISSION TO JURISDICTION; WAIVERS. THE LENDER, BORROWER AND THE GUARANTOR EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH THE LENDER SHALL HAVE BEEN NOTIFIED;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) THE LENDER, BORROWER AND THE GUARANTOR HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS LOAN AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 22. No Waivers, etc. No failure on the part of the Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any Loan Document preclude any other or further exercise

thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law. An Event of Default shall be deemed to be continuing unless expressly waived by the Lender in writing.

Section 23. Confidentiality.

23.01 Confidential Terms. The Lender and Borrower hereby acknowledge and agree that all written or computer-readable information provided by one party to any other regarding the terms set forth in any of the Loan Documents (the "Confidential Terms") shall be kept confidential and shall not be divulged to any party without the prior written consent of such other party except to the extent that (i) it is necessary to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies or regulatory bodies or in order to comply with any applicable federal or state laws, (ii) any of the Confidential Terms are in the public domain other than due to a breach of this covenant, (iii) in the Event of a Default the Lender determines such information to be necessary or desirable to disclose to enforce or exercise the Lender's rights hereunder, (iv) to any rating agency, (v) to any Affiliate of the Lender and any of the Lender's accountants, legal counsel and other advisors, (vi) to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Loan Agreement or (vi) to any actual or prospective party to any securitization or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Loan Agreement or payments hereunder. Notwithstanding the foregoing or anything to the contrary contained herein or in any other Loan Document, the parties hereto may disclose to any and all Persons, without limitation of any kind, the federal, state and local tax treatment of the Advances, any fact relevant to understanding the federal, state and local tax treatment of the Advances, and all materials of any kind (including opinions or other tax analyses) relating to such federal, state and local tax treatment and that may be relevant to understanding such tax treatment; provided that Borrower may not disclose the name of or identifying information with respect to the Lender or any pricing terms (including, without limitation, the Facility Fee) or other nonpublic business or financial information (including any sublimits and financial covenants) that is unrelated to the federal, state and local tax treatment of the Advances and is not relevant to understanding the federal, state and local tax treatment of the Advances, without the prior written consent of the Lender. The provisions set forth in this Section 23.01 shall survive the termination of this Loan Agreement.

23.02 Confidential Information. Notwithstanding anything in this Loan Agreement to the contrary, Borrower shall comply with all applicable local, state and federal laws, including, without limitation, all privacy and data protection law, rules and regulations that are applicable to the Financed Assets and/or any applicable terms of this Loan Agreement (the "Confidential Information"). Borrower understands that the Confidential Information may contain "nonpublic personal information", as that term is defined in Section 509(4) of the Gramm-Leach-Bliley Act (the "GLB Act"), and Borrower agrees to maintain such nonpublic personal information that it receives hereunder in accordance with the GLB Act and other applicable federal and state privacy laws. Borrower shall implement such physical and other security measures as shall be necessary to (a) ensure the security and confidentiality of the "nonpublic personal information" of the "customers" and "consumers" (as those terms are defined in the GLB Act) of the Lender or any Affiliate of the Lender which the Lender holds (b) protect against any threats or hazards to the security and integrity of such nonpublic personal information, and (c) protect against any unauthorized access to or use of such nonpublic personal information. Borrower shall, at a

minimum establish and maintain such data security program as is necessary to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information as set forth in the Code of Federal Regulations at 12 C.F.R. Parts 30, 208, 211, 225, 263, 308, 364, 568 and 570. Upon request, Borrower will provide evidence reasonably satisfactory to allow the Lender to confirm that Borrower has satisfied its obligations as required under this Section. Without limitation, this may include the Lender's review of audits, summaries of test results, and other equivalent evaluations of Borrower. Borrower shall notify the Lender immediately following discovery of any breach or compromise of the security, confidentiality, or integrity of nonpublic personal information of the customers and consumers of the Lender or any Affiliate of the Lender provided directly to the Borrower by the Lender or such Affiliate. Borrower shall provide such notice to the Lender by personal delivery, by electronic transmission with confirmation of receipt, or by overnight courier with confirmation of receipt to the applicable requesting individual.

Section 24. Conflicts; Multiparty Agreements. In the event of any conflict between the terms of this Loan Agreement and any other Loan Document (other than the Multiparty Agreements), then the terms of this Loan Agreement shall prevail. **THE LENDER ACKNOWLEDGES THAT ALL PROVISIONS OF THIS LOAN AGREEMENT ARE SUBJECT TO THE MULTIPARTY AGREEMENTS**. In the event of any conflict between the terms of this Loan Agreement and the Multiparty Agreements, the terms of the Multiparty Agreements shall prevail.

Section 25. Miscellaneous.

25.01 Counterparts. This Loan Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Loan Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Loan Agreement in Portable Document Format (PDF) or by facsimile shall be effective as delivery of a manually executed original counterpart of this Loan Agreement.

25.02 Captions. The captions and headings appearing herein are for included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Loan Agreement.

25.03 Acknowledgment. Borrower hereby acknowledges that:

(i) it has been advised by counsel in the negotiation, execution and delivery of this Loan Agreement and the other Loan Documents;

(ii) the Lender has no fiduciary relationship to the Borrower; and

(iii) no joint venture exists between the Lender and the Borrower.

25.04 Documents Mutually Drafted. Borrower and the Lender agree that this Loan Agreement each other Loan Document have been mutually drafted and negotiated by each party, and consequently such documents shall not be construed against either party as the drafter thereof.

25.05 Amendment and Restatement. The terms and provisions of the Existing Loan Agreement are hereby amended and restated in their entirety by the terms and provisions of this Loan Agreement.

25.06 Removal of Sutherland. Sutherland is hereby removed from this Loan Agreement and all of its obligations as a "Borrower" hereunder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties here to have caused this Loan Agreement to be duly executed and delivered as of the day and year fast above written.

BORROWER:

READYCAP LENDING, LLC

By: /s/ Brendan Eccleston
Name: Brendan Eccleston
Title: Executive Vice President

Address for Notices:

420 Mountain Avenue, 3rd Floor
New Providence, NJ 07974
Attention: Brendan Eccleston
Facsimile: (973) 577-4695
E-mail: breandan.eccleston@rclending.com

With a copy to:

c/o Waterfall A set Management, LLC
1140 Avenue of the Americas, 7th Floor
New York, NY 10036
Attention: Carole Mortensen
E-mail: CMortcnscn@wakrfallarn.com

GUARANTOR:

SUTHERLAND ASSET MANAGEMENT CORPORATION

By: /s/ Thomas Buttacavoli
Name: Thomas Buttacavoli
Title: Authorized Signature

Address for Notices:

1140 Avenue of the Americas, 7th Floor
New York, NY 10036
Attention: Rick Herbst
E-mail: rherbst@water fallam.com

LENDER:

JPMORGAN CHASE BANK, N.A.

By: /s/ John Winchester
Name: John Winchester
Title: Executive Director

Address for Notices:

383 Madison Avenue
New York, New York 10179
Attention: John G. Winchester
Telephone: 212.834.4998
E-mail: john.g.winchester@jpmorgan.com

EXHIBIT A

FORM OF
SECOND AMENDED AND RESTATED PROMISSORY NOTE

Maximum Facility Amount

June 30, 2016
New York, New York

FOR VALUE RECEIVED, READYCAP LENDING, LLC, a Delaware limited liability company (the "Borrower") hereby promises to pay to the order of JPMORGAN CHASE BANK, N.A. (the "Lender"), at the principal office of the Lender at 383 Madison Avenue, New York, New York 10179, in lawful money of the United States, and in immediately available funds, the principal sum of the Maximum Facility Amount, on the dates and in the principal amounts provided in the Loan Agreement, and to pay interest on the unpaid principal amount of each such Advance, at such office, in like money and funds, for the period commencing on the date of such Advance until such Advance shall be paid in full, at the rates per annum and on the dates provided in the Loan Agreement.

The date, amount and interest rate of each Advance made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation hereof; provided, that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Loan Agreement or hereunder in respect of the Advances made by the Lender.

This Note is one of the Notes referred to in that certain Amended and Restated Master Loan and Security Agreement, dated as of June 30, 2016, among the Borrower, Sutherland Asset Management Corporation, and the Lender (as such agreement may be amended or modified from time to time, herein called the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement. Upon occurrence of any Event of Default, the principal hereof, and all accrued interest thereon, may be declared or shall automatically become, due and payable pursuant to the Loan Agreement.

The Borrower agrees to pay all the Lender's costs of collection and enforcement (including reasonable attorneys' fees and disbursements of Lender's counsel) in respect of this Note when incurred, including, without limitation, reasonable attorneys' fees through appellate proceedings.

Notwithstanding the pledge of the Collateral, the Borrower hereby acknowledges, admits and agrees that the Borrower's obligations under this Note are recourse obligations of the Borrower to which the Borrower pledges its full faith and credit.

The Borrower, and any endorsers or guarantors hereof, (a) severally waive diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayments of this Note, (b) expressly agree that this Note, or any payment hereunder, may be extended from time to time, and consent to the acceptance of further Collateral, the release of any Collateral for this Note, the release of any party primarily or secondarily liable hereon, and (c) expressly agree that it will not be necessary for the Lender, in order to enforce payment of this Note, to first institute

or exhaust the Lender's remedies against the Borrower or any other party liable hereon or against any Collateral for this Note. No extension of time for the payment of this Note, or any installment hereof, made by agreement by the Lender with any person now or hereafter liable for payment of this Note, shall affect the liability under this Note of the Borrower, even if the Borrower is not a party to such agreement; provided, however, that the Lender and the Borrower, by written agreement between them, may affect the liability of the Borrower.

Any reference herein to the Lender shall be deemed to include and apply to every subsequent holder of this Note. Reference is made to the Loan Agreement for provisions concerning optional and mandatory prepayments, Collateral, acceleration and other material terms affecting this Note.

Any enforcement action relating to this Note may be brought by motion for summary judgment in lieu of a complaint pursuant to Section 3213 of the New York Civil Practice Law and Rules. The Borrower hereby submits to New York jurisdiction with respect to any action brought with respect to this Note and waives any right with respect to the doctrine of forum non conveniens with respect to such transactions.

This Note is given in replacement of the Amended and Restated Promissory Note dated as of September 30, 2015, previously delivered to the Lender pursuant to the Loan Agreement. THIS NOTE IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING UNDER OR IN CONNECTION WITH SUCH OTHER NOTE.

[SIGNATURE PAGE TO FOLLOW]

This Note shall be governed by and construed under the laws of the State of New York (without reference to choice of law doctrine but with reference to Section 5-1401 of the New York General Obligations Law, which by its terms applies to this Note) whose laws the Borrower expressly elects to apply to this Note. The Borrower agrees that any action or proceeding brought to enforce or arising out of this Note may be commenced in the Supreme Court of the state of New York, Borough of Manhattan, or in the District Court of the United States for the Southern District of New York.

READYCAP LENDING, LLC, as Borrower

By: _____
Name: _____
Title: _____

Exhibit A-3

SCHEDULE OF ADVANCES

This Note evidences Advances made under the within-described Loan Agreement to the Borrower, on the dates, in the principal amounts and bearing interest at the rates set forth below, and subject to the payment and prepayments of principal set forth below:

Date Made	Principal Amount of Advance	Interest Rate	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made by

EXHIBIT B

FORM OF REQUEST FOR BORROWING AND NOTICE OF PLEDGE

Reference is made to the Amended and Restated Master Loan and Security Agreement, dated as of June 30, 2016 (the "Loan Agreement") among READYCAP LENDING, LLC ("Borrower"), SUTHERLAND ASSET MANAGEMENT CORPORATION (the "Guarantor") and JPMORGAN CHANSE BANK, N.A. (the "Lender") as such agreement may be amended or modified from time to time. In accordance with Section 2.03 of the Loan Agreement, the undersigned Borrower hereby requests that you, the Lender, make Advances to us in connection with our delivery of Pledged Assets as provided below.

Lender: JPMORGAN CHASE BANK, N.A.

Borrower: READYCAP LENDING, LLC

Requested Funding Date: _____

Transmission Date: _____

Transmission Time: _____

Wire Instructions: Wire to Borrower

_____
ABA#_____
GLA#_____
For further credit: TAS#_____
Account Name: _____
Attn:

Aggregate Request

Advance Amount:	$_____
Number of Eligible Assets to be Pledged:	_____
UPB of Eligible Assets to be Pledged:	$_____
Advance Amount:	$_____
Number of Eligible Assets to be Pledged:	_____
UPB of Eligible Assets to be Pledged:	$_____

Attached hereto is an Asset Schedule identifying the Eligible Assets to be pledged to the Lender as Collateral for the Advance requested hereby and to be included in the Borrowing Base in connection with the Advance requested hereby.

Borrower hereby certifies by making this Request for Borrowing and Notice of Pledge that (a) all information contained herein and in any schedules attached hereto are true, accurate and complete, (b) all conditions precedent to making an Advance required under the Loan Agreement shall be satisfied by the Funding Date, (c) no Default or Event of Default has occurred and is continuing on the date hereof nor will occur after giving effect to such Advance as a result of such Advance, (d) each of the representations and warranties made by Borrower in or pursuant to the Loan Documents is true and correct in all material respects on and as of such date (in the case of the representations and warranties in respect of Eligible Assets, solely with respect to Eligible Assets being included the Borrowing Base on the Funding Date) as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), (e) Borrower is in compliance with all governmental licenses and authorizations and is qualified to do business and is in good standing in all required jurisdictions, (f) the Pledged Assets have been delivered to the FTA pursuant to the Multiparty Agreements and (g) such Advance will not cause a Borrowing Base Deficiency.

Borrower agrees to indemnify the Lender and hold it harmless against any Losses incurred by the Lender as a result of any failure by the Borrower to timely deliver the Pledged Assets subject to this Request for Borrowing and Notice of Pledge.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement.

[Signature Page Follows]

Requested by:

READYCAP LENDING, LLC

By: _____
Name: _____
Title: _____

Acknowledged and Agreed to:

JPMORGAN CHASE BANK, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF REMITTANCE REPORT

SEE ATTACHED.

Exhibit C-1

EXHIBIT D

FORM OF SECTION 7 CERTIFICATE

Reference is hereby made to the Amended and Restated Master Loan and Security Agreement dated as of June 30, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), between READYCAP LENDING, LLC ("Borrower"), SUTHERLAND ASSET MANAGEMENT CORPORATION (the "Guarantor") and JPMORGAN CHASE BANK, N.A. (the "Lender"). Pursuant to the provisions of Section 7 of the Agreement, the undersigned hereby certifies that:

1. It is a ___ natural individual person, ___ treated as a corporation for U.S. federal income tax purposes, ___ disregarded for federal income tax purposes (in which case a copy of this Section 7 Certificate is attached in respect of its sole beneficial owner), or ___ treated as a partnership for U.S. federal income tax purposes (one must be checked).

2. It is the beneficial owner of amounts received pursuant to the Agreement.

3. It is not a bank, as such term is used in section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), or the Agreement is not, with respect to the undersigned, a loan agreement entered into in the ordinary course of its trade or business, within the meaning of such section.

4. It is not a 10-percent shareholder of Borrower within the meaning of section 871(h)(3) or 881(c)(3)(B) of the Code.

5. It is not a controlled foreign corporation that is related to Borrower within the meaning of section 881(c)(3)(C) of the Code.

6. Amounts paid to it under the Facility Documents are not effectively connected with its conduct of a trade or business in the United States.

[NAME OF UNDERSIGNED]

By: _____
Title:

_____, _____

EXHIBIT E

ASSET FILE

A. With respect to each SBA Loan that is a Performing SBA 7(a) Acquired Loan or a Non- Performing SBA 7(a)/Non-Performing SMP Acquired Loan, that is not subject to a Participation, the loan file related to such SBA Loan shall include each of the following items, as applicable:

(i) the original SBA 7(a) Loan Note, or a lost note affidavit in the form approved by the Lender, including a complete chain of endorsements from the Originator of such SBA 7(a) Loan Note endorsed in the name of Borrower; provided that the Borrower may deliver lost note affidavits in form and substance acceptable to Lender for the SBA 7(a) Loan Notes not to exceed ten percent (10%) of the aggregate Lender's Advance Amount outstanding;*

(ii) an original or copy of the Mortgage with evidence of recording thereon;*

(iii) an original or copy of each intervening assignment thereof, evidencing an unbroken chain of title from the Originator of such Mortgage, with evidence of recording thereon;*

(iv) an original or a copy of each assignment of the Mortgage in the name of Borrower;**

(v) an original or copy of the assignment of leases and rents (if such item is a document separate from the Mortgage) with evidence of recording thereon;*

(vi) an original or copy of each intervening assignment of assignment of leases and rents, with evidence of recording thereon, evidencing a complete chain of title from the Originator of such Mortgage;*

(vii) an original or a copy of each assignment of assignment of leases and rents in the name of Borrower;**

(viii) an original or certified true copy of any security agreement, chattel mortgage or equivalent document (if any such item is a document separate from the Mortgage, if any) executed in connection with such SBA Loan to the extent such document secures property backing more than fifty percent (50%) of the principal balance of such SBA Loan;*

(ix) an original or copy of any consolidation, extension or modification agreement with evidence of recording thereon;**

(x) an original title insurance policy or a copy thereof, or a commitment to issue title insurance related to each Mortgage;***

(xi) an original of any guarantee on SBA Form 148 or 148L, if applicable or an original or a copy of any personal guarantee required by the Originator of the loan;**

(xii) an original of any loan agreement, indemnity, escrow agreement, replacement reserve agreement, cash management or lockbox agreement, or any other similar instrument or agreement, in each case if a part of and as executed in connection with the SBA 7(a) Loan Note or any Mortgage;

(xiii) an original or copy of the UCC-1 Financing Statement, if any, sufficient to perfect the security interest held by the Originator of the SBA Loan in and to the personalty of the Borrower with evidence of recording/filing thereon in the form returned by the jurisdiction;

(xiv) an original or copy of each intervening UCC assignment, with evidence of recording/filing thereon in the form returned by the jurisdiction, evidencing a complete chain of title of the UCC Financing Statement from the Originator of such SBA Loan;

(xv) an original UCC assignment in the name of Borrower;

(xvi) an original power of attorney, if any, (with evidence of recording thereon) granted by the Borrower if the SBA 7(a) Loan Note, any Mortgage or any other document or instrument referred to herein was not signed by the Borrower; and

(xvii) any assumption agreement.

B. With respect to each SBA Loan that is a Performing SBA 7(a) Acquired Loan or a Non- Performing SBA 7(a)/Non-Performing SMP Acquired Loan and that is subject to a Participation, the loan file related to such SBA Loan shall include each of the following items, as applicable:

(i) an original or copy of the fully executed Participation Agreement relating to the purchase or sale, as applicable, of an interest in the non-guaranteed portion of the loan, and all intervening assignments;* and

(ii) an assignment of the Participation Agreement in blank.*

C. With respect to Transferred 7(a) Loans, the loan file related to each Transferred 7(a) Loan shall also include each of the following items, as applicable:

(i) For loans originated by the Originator under the SBA's Preferred Lender Participation Program, the Loan Eligibility Checklist;** and

(ii) an original or copy of the (a) SBA Loan Authorization and (b) the loan agreement with all related amendments thereto.*

D. With respect to each SBA Loan that is a Performing SBA 7(a) New Origination Guaranteed Loan or a Performing SBA 7(a) New Origination Unguaranteed Loan, the loan file related to such SBA Loan shall include each of the following items, as applicable:

(i) the original Note, including an endorsement from the Originator of such SBA Loan endorsed in blank;

(ii) an original or copy of the Mortgage with evidence of recording thereon;

(iii) an original assignment of the Mortgage in blank in recordable form;

(iv) an original or copy of the assignment of leases and rents (if such item is a document separate from the Mortgage) with evidence of recording thereon;

(v) an original assignment of assignment of leases and rents in blank in recordable form;

(vi) an original or certified true copy of any security agreement, chattel mortgage or equivalent document (if any such item is a document separate from the Mortgage, if any) executed in connection with such SBA Loan to the extent such document secures property backing more than 50% of the principal balance of such SBA Loan;

(vii) an original or copy of any consolidation, extension or modification agreement with evidence of recording thereon;

(viii) an original title insurance policy or a copy thereof, or a commitment to issue title insurance;

(ix) an original of any guarantee on SBA Form 148 or 148L, if applicable or any personal guarantee required by the Originator of the loan;

(x) an original of any loan agreement, indemnity, escrow agreement, replacement reserve agreement, cash management or lockbox agreement, or any other similar instrument or agreement, in each case if a part of and as executed in connection with the Note or any Mortgage;

(xi) an original or copy of the UCC-1 Financing Statement, if any, sufficient to perfect the security interest held by the Originator of the Eligible Small Business Loan in and to the personalty of the borrower with evidence of recording/filing thereon in the form returned by the jurisdiction;

(xii) an original UCC assignment in blank in recordable form;

(xiii) an original power of attorney, if any, (with evidence of recording thereon) granted by the Obligor if the SBA Note, any Mortgage or any other document or instrument referred to herein was not signed by the borrower; and

(xiv) any assumption agreement.

NOTATION KEY

Fatal Exceptions if missing. Market Value of zero until delivered.

Critical Exceptions if missing. Advance 50% of calculated Lender's Advance Amount for 30 days. If not delivered within 30 days, becomes Fatal Exception and is reduced to a Market Value of zero until delivered.

****Title Policy Exception. If there exists no evidence of title insurance at all, then it will be considered a Fatal Exception and the Market Value will be zero until title policy is delivered. If there exists a commitment to issue a title insurance policy, Advance 50% of calculated Lender's Advance Amount for 60 days. If title policy is not delivered within 60 days, becomes Fatal Exception and is reduced to a Market Value of zero until delivered.***

No asterisk indicates no reduction if missing.

EXHIBIT F

FORM OF SERVICER NOTICE

[Date]

[_____], as Servicer
[ADDRESS]
Attention: _____

Re: Amended and Restated Master Loan and Security Agreement, dated as of June 30, 2016 (the "Loan Agreement"), by and between READYCAP LENDING, LLC ("Borrower"), SUTHERLAND ASSET MANAGEMENT CORPORATION (the "Guarantor")] and JPMorgan Chase Bank, N.A. (the "Lender").

Ladies and Gentlemen:

[_____] (the "Servicer") is servicing certain small business loans for the Borrower pursuant to that certain Servicing Agreement between the Servicer and the Borrower. Pursuant to the Loan Agreement between the Lender and the Borrower, the Servicer is hereby notified that the Borrower has pledged to the Lender certain small business loans, which are serviced by Servicer which are subject to a security interest in favor of the Lender.

Upon receipt of a notice of Event of Default from the Lender in which the Lender shall identify the small business loans which are then pledged to the Lender under the Loan Agreement (the "SBA Loans"), the Servicer shall segregate all amounts collected on account of such SBA Loans, hold them in trust for the sole and exclusive benefit of the Lender, and remit such collections in accordance with the Lender's instructions below. Servicer shall follow the instructions of the Lender with respect to the SBA Loans, and shall deliver to the Lender any information with respect to the SBA Loans reasonably requested by the Lender. Borrower hereby notifies and instructs the Servicer and the Servicer is hereby authorized and instructed to remit any and all amounts which would be otherwise payable to the Borrower with respect to the SBA Loans to the following account which instructions are irrevocable without the prior written consent of the Lender:

[_____]
[_____]
Account No. [_____]
ABA No. [_____]
Account Name: [_____]
Attention: [_____]

Upon written notice following the occurrence and during the continuance of an Event of Default, the Lender shall have the right to immediately terminate Servicer's right to service the SBA Loans without payment of any penalty or termination fee under the Servicing Agreement. Upon receipt of such notice, the Borrower and the Servicers shall cooperate in transferring the applicable servicing of the SBA Loans to a successor servicer appointed by the Lender in its sole discretion.

Notwithstanding any contrary information which may be delivered to the Servicer by the Borrower, the Servicer may conclusively rely on any information or notice of Event of Default delivered by the Lender, and the Borrower shall indemnify and hold the Servicer harmless for any and all claims asserted against it for any actions taken in good faith by the Servicer in connection with the delivery of such information or notice of Event of Default.

The Lender shall be an intended third-party beneficiary of the Servicing Agreement.

Please acknowledge receipt of this instruction letter by signing in the signature block below and forwarding an executed copy to the Lender promptly upon receipt. Any notices to the Lender should be delivered to the following address: JPMorgan Chase Bank, N.A., 383 Madison Avenue, New York, New York 10179, Attention: John G. Winchester, Telephone: 212.834.4998, E-mail: john.g.winchester@jpmorgan.com.

Very truly yours,

READYCAP LENDING, LLC

By: _____
Name:
Title:

ACKNOWLEDGED:

[SERVICER], as Servicer

By: _____
Name:
Title:

EXHIBIT G

FORM OF EXCESS MARGIN NOTICE

ReadyCap Lending, LLC
420 Mountain Avenue, 3rd Floor
New Providence, NJ 07974

[DATE]

JPMorgan Chase Bank, N.A.
383 Madison Avenue
New York, NY 10179

Attention: John G. Winchester

Telephone: 212.834.4998

E-mail: john.g.winchester@jpmorgan.com

Excess Margin Notice

Re: Excess Margin Notice pursuant to that certain Amended and Restated Master Loan and Security Agreement by and among ReadyCap Lending, LLC (the "Borrower"), Sutherland Asset Management Corporation (the "Guarantor"), and JPMorgan Chase Bank, N.A. (the "Lender"), dated as of June 30, 2016 (as amended, restated, modified or supplemented from time to time, the "Agreement"). Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Agreement.

Pursuant to Section 2.04(g) of the Agreement, the Borrower hereby notifies the Lender that the Collateral Value of the Financed Assets subject to an Advance under the Agreement is $[_____] greater than the Borrowing Base of the Financed Assets as of the date hereof (the "Margin Excess").

The Borrower hereby requests that the Lender transfer cash no later than 10:00 a.m. (Eastern time) on [_____], such that the Margin Excess is reduced or eliminated.

The Borrower hereby acknowledges and agrees that (x) any transferred amount shall be considered an Advance under the Agreement, (y) no Default has occurred and is continuing or would exist after such action by Lender and (z) that Lender will not be required to take any action that (1) would be inconsistent with Borrower's determination of Collateral Value in accordance with the Agreement, (2) would cause a Margin Deficit or (3) would cause the aggregate outstanding principal amount of the Advances to exceed the Maximum Facility Amount.

Very truly yours,

READYCAP LENDING, LLC

By: _____
Name: _____
Title: _____

Exhibit 10.11

Execution Version

FOURTH AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

Dated as of November 7, 2019

by and among

READYCAP COMMERCIAL, LLC,
SUTHERLAND WAREHOUSE TRUST II
SUTHERLAND ASSET I, LLC and
READY CAPITAL SUBSIDIARY REIT I, LLC

as Sellers, together with the other Sellers that may from time to time be added hereto in accordance with the provisions hereof

U.S. BANK NATIONAL ASSOCIATION,

as Depository and Paying Agent

and

DEUTSCHE BANK AG, NEW YORK BRANCH,

as Buyer

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ANNEXES, EXHIBITS AND SCHEDULES

THIS FOURTH AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT (this "Agreement") is dated as of November 7, 2019 and by and among READYCAP COMMERCIAL, LLC ("Originator"), a Delaware limited liability company, READY CAPITAL SUBSIDIARY REIT I, LLC ("Ready REIT"), a Delaware limited liability company, SUTHERLAND WAREHOUSE TRUST II ("Sutherland Trust II"), a Delaware statutory trust, SUTHERLAND ASSET I, LLC ("Sutherland", and together with Originator, Ready REIT, Sutherland Trust II and any Additional Seller, "Sellers", and each individually, a "Seller"), a Delaware limited liability company, U.S. BANK NATIONAL ASSOCIATION ("Depository" and "Paying Agent"), a national banking association, and DEUTSCHE BANK AG, NEW YORK BRANCH, a branch of a foreign banking institution (as assignee of Deutsche Bank AG, Cayman Islands Branch, "Buyer").

PRELIMINARY STATEMENT

The parties hereto (other than Ready REIT) are parties to that certain Third Amended and Restated Master Repurchase Agreement, dated as of February 14, 2017 (as amended prior to the date hereof, the "Existing Agreement"). Each of the parties hereto desire to amend and restate the Existing Agreement pursuant to the terms hereof and Ready REIT desires to be joined to this Agreement as a Seller. This Fourth Amended and Restated Master Repurchase Agreement amends and restates in its entirety, as of the Effective Date, the Existing Agreement. Upon the Effective Date, the terms and provisions of the Existing Agreement shall, subject to this preliminary statement, be superseded in their entirety.

Notwithstanding the amendment and restatement of the Existing Agreement by this Agreement, (i) the Sellers shall continue to be liable to each of the other parties to the Existing Agreement for any fees, expenses and other amounts that are accrued and unpaid under the Existing Agreement on the Effective Date and indemnities under the Existing Agreement in connection with events or conditions arising or existing prior to the Effective Date and (ii) should a security interest be deemed to exist, notwithstanding the intent of the Sellers and the Buyer, pursuant to Section 6 of the Existing Agreement, such security interest shall remain in full force and effect until it is released in accordance with the terms of this Agreement.

Upon the effectiveness of this Agreement, each reference to the Existing Agreement in any other document, instrument or agreement shall mean and be a reference to this Agreement. Nothing contained herein, unless expressly herein stated to the contrary, is intended to amend, modify or otherwise affect any other instrument, document or agreement executed and/or delivered in connection with the Existing Agreement.

1. APPLICABILITY

From time to time, the parties hereto may enter into transactions in which Sellers agree to transfer to Buyer certain Eligible Loans (as hereinafter defined), in each case, against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Sellers such Eligible Loans at a date certain or on demand, as applicable, against the transfer of funds by Sellers. Each such transaction shall be referred to herein as a "Transaction" and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in any exhibits identified herein as applicable hereunder.

2. **DEFINITIONS**

(a) As used in this Agreement, the following terms shall have the following meanings:

"1934 Act" shall have the meaning specified in Section 23(a).

"Accelerated Repurchase Date" shall have the meaning specified in Section 13(b)(i) of this Agreement.

"Accepted Servicing Practices" shall mean with respect to any Purchased Loan, the obligation of a Servicer to service and administer the Purchased Loans in accordance with "Accepted Servicing Practices", as defined in the applicable Servicing Agreement.

"Act of Insolvency" shall mean with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any Bankruptcy Law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, seeking such an appointment or election, or the filing against such party of an application for a protective decree under the provisions of SIPA, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect against such party, or (C) is not dismissed within 60 days, (iii) the making by such party of a general assignment for the benefit of its creditors, or (iv) the admission in writing by such party of such party's inability to pay such party's debts as they become due.

"Actual Original Purchase Percentage" shall mean, with respect to any Transaction, a percentage equal to the lesser of (x) the Maximum Original Purchase Percentage for such Transaction and (y) a percentage designated by the applicable Seller in its sole and absolute discretion, and set forth in the Confirmation for such Transaction.

"Additional Advance" shall have the meaning specified in Section 3(p) of this Agreement.

"Additional Advance Available Amount" shall have the meaning specified in Section 3(p) of this Agreement.

"Additional Advance Date" shall have the meaning specified in Section 3(p) of this Agreement.

"Additional Advance Diligence Package" shall mean, with respect to any Future Advance, all documents related to such Future Advance, including, but not limited to, executed leases, updated occupancy and aggregate rent information, updated third-party reports or valuations obtained by the Originator in connection with the Future Advance, the related TI/LC Tracking Schedule and emails or other correspondence with the related Borrower, in each case, to the extent such information is in the Originator's possession. If the Future Advance is the final Future Advance with respect to a project, such package shall also include confirmation in form satisfactory to the Originator that the project has been completed to the Originator's satisfaction.

"Additional Advance Pre-Funding Diligence" shall have the meaning set forth in Section 27.

"Additional Amounts" shall have the meaning specified in Section 29(b) of this Agreement.

"Additional Seller Joinder Agreement" shall mean an Additional Seller Joinder Agreement, substantially in the form of Exhibit II, duly executed and delivered by each party thereto.

"Additional Sellers" shall mean, with respect to any Transaction, any additional party or parties entering into this Agreement in its capacity as seller that has executed and delivered an Additional Seller Joinder Agreement.

"Affiliate" shall mean, with respect to any specified Person, any other Person controlling or controlled by, or under common control with, such Person. For the purposes of this definition, "control" (including the terms "controlling," "controlled by" and "under common control with"), when used with respect to any specified Person means the possession, direct or indirect, of the power to vote 20% or more of the voting securities of such Person or to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities, by contract or otherwise.

"Affiliated Hedge Counterparty" shall mean Deutsche Bank AG or any Affiliate of Buyer, as counterparty to any Hedging Transaction.

"Affiliated Hedging Transaction" shall mean a Hedging Transaction entered into by any Seller or Guarantor with an Affiliated Hedge Counterparty.

"Aggregate Repurchase Price" shall mean, as of any date of determination, the aggregate Repurchase Price with respect to all Purchased Loans on such date of determination.

"Agreement" shall have the meaning specified in the introductory statement.

"Allocable Percentage" shall mean, with respect to any Principal Payment on any Purchased Loan, a fraction (expressed as a percentage) the numerator of which is the Repurchase Price with respect to such Purchased Loan as in effect immediately prior to such Principal Payment (net of any accrued Price Differential and, unless an Event of Default has occurred and is continuing, excluding any other amounts then owing to Buyer), and the denominator of which is the outstanding principal balance of such Purchased Loan immediately prior to such Principal Payment.

"Alternative Rate" shall have the meaning specified in Section 3(f) of this Agreement.

"Alternative Rate Transaction" shall mean, with respect to any Pricing Rate Period, any Transaction with respect to which the Pricing Rate for such Pricing Rate Period is determined with reference to the Alternative Rate.

"Applicable Servicer Account" shall mean, with respect to each Purchased Loan, the account(s) established by the applicable Servicer into which principal, interest and other payments made by the related Mortgagor or other obligor with respect to such Purchased Loan under the related Loan Documents are remitted (directly or indirectly).

"Applicable Spread" shall mean with respect to each Transaction, (i) prior to the occurrence of an Event of Default, 2.00% and (ii) following an Event of Default, 5.00%; *provided,* further, that with respect to each Transaction related to a Purchased Loan that, as of any date of determination, is still subject to a Transaction upon the one year anniversary of the origination of the related Purchased Loan, the Applicable Spread shall mean (i) 2.20%, prior to the occurrence of an Event of Default and (ii) 5.20% following an Event of Default; *provided,* further, that with respect to each Transaction related to a Purchased Loan that, as of any date of determination, is still subject to a Transaction upon the eighteen month anniversary of the origination of the related Purchased Loan, the Applicable Spread shall mean (i) 2.40%, prior to the occurrence of an Event of Default and (ii) 5.40% following an Event of Default, *provided,* further, that during the Extension Period, the Applicable Spread as determined in accordance with the terms of each clause of this definition shall increase by 0.25% in each case.

"Appraisal" shall mean an appraisal which (i) satisfies the guidelines in Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the guidelines of the Uniform Standards of Professional Appraisal Practice, each as in effect on the date of such appraisal, (ii) was conducted by an appraiser who (A) is certified by the state in which such appraiser is located, (B) (x) has received an MAI designation from the Appraisal Institute or (y) is named on the Originator's approved list of appraisers (which list may be updated from time to time with the prior consent of the Buyer) and (C) is satisfactory to the Buyer in its reasonable discretion and (iii) is not based on assumptions provided by or influenced by any Seller Party, any equity holder in any Seller Party, or any Affiliates of the foregoing, other than in accordance with customary market practices.

"Appraisal Review Agent" shall mean SW Seaside Services, LLC or any other third- party service provider set forth on Annex II hereto.

"Approved Hedging Transaction" shall mean a Hedging Transaction which has been collaterally assigned to Buyer in accordance with the terms of the underlying Hedging Transaction pursuant to documentation which provides Buyer with the right to exercise termination rights and receive funds directly and which is otherwise in form and substance satisfactory to Buyer in its reasonable discretion.

"As-Is Debt Service Coverage Ratio" shall mean, with respect to any Mortgage Loan on any date of determination, the ratio obtained by dividing (a) the As-Is Net Operating Income of the related Mortgaged Property or Properties by (b) the product of (i) the Principal Balance of such Mortgage Loan and (ii) the related Assumed Interest Rate.

"As-Is Debt Yield" shall mean, as of any date of determination and with respect to any Mortgage Loan, the ratio of the As-Is Net Operating Income of the Mortgaged Property related to such Mortgage Loan to the Eligible Loan Amount of such Mortgage Loan.

"As-Is Net Operating Income" shall mean, with respect to any Mortgaged Property or Properties as of any date of determination, the amount of annualized cash flow available "as-is" for debt service, based on the most recent financial statements of the related Mortgagor.

"Assignment of Leases" shall mean, with respect to any Purchased Loan, an assignment of leases and rents thereunder, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the Mortgaged Property is located to reflect the assignment of leases.

"Assignment of Mortgage" shall mean, with respect to any Purchased Loan, an assignment of the mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment and pledge of the Mortgage, subject to the terms, covenants and provisions of this Agreement.

"Assumed Interest Rate" shall mean, as of any date of determination, and with respect to any Mortgage Loan (i) that is a fixed-rate Mortgage Loan, the fixed rate of interest on such Mortgage Loan as of such date of determination, (ii) that is a hybrid Mortgage Loan, the greater of (A) the initial fixed rate of interest on such Mortgage Loan and (B) the variable rate of interest on such Mortgage Loan, assuming an index equal to the swap rate at the duration of the related Mortgage Loan without regard to pre-payments and (iii) that is an adjustable-rate Mortgage Loan, the variable rate of interest on such Mortgage Loan.

"Authorized Representative" shall mean each of the authorized representatives of Sellers listed on Exhibit III, as such exhibit may be modified from time to time upon notice to Buyer.

"Availability Fee" shall have the meaning given thereto in the Letter Agreement.

"Available Amount" shall have the meaning set forth in the Letter Agreement.

"Available Amount Certificate" shall have the meaning specified in Section 3(a).

"Available Income" shall mean, all Income other than (a) the Underlying Purchased Loan Reserves, and (b) Qualified Servicing Expenses.

"Bankruptcy Code" shall mean the United States Bankruptcy Code (11 U.S.C. § 101 et seq.), as amended from time to time or any successor statute or rule promulgated thereto.

"Bankruptcy Laws" shall mean the Bankruptcy Code or any other United States bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or any similar statute, law, rules, regulations or similar legal requirements of any other applicable jurisdiction, in each case, as amended from time to time.

"Base Amount" shall mean an amount equal to the greater of (i) the aggregate Eligible Loan Amount for all Purchased Loans and (ii) the Maximum Amount.

"Base Maximum Original Purchase Percentage" shall mean, with respect to any Transaction, the percentage specified as the Base Maximum Original Purchase Percentage in the Confirmation for such Transaction which percentage shall be as follows:

(i) if the subject of such Transaction is a Conventional Multifamily Loan, the Conventional Multifamily Loan Maximum Original Purchase Percentage; or

(ii) if the subject of such Transaction is a Conventional Commercial Loan, the Conventional Commercial Loan Maximum Original Purchase Percentage; or

(iii) if the subject of such Transaction is an Investor Bridge Loan, the Investor Bridge Loan Maximum Original Purchase Percentage.

"Beneficial Ownership Certificate" shall mean a certificate regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" shall mean 31 C.F.R. § 1010.230.

"Bid Process" shall have the meaning specified in Section 4(h) of this Agreement.

"Bid Process Differential Amount" shall mean, as of any date of determination, an amount equal to the excess, if any, of the fair market value of the Purchased Loans as determined by the Bid Process over the Market Value of the Purchased Loans as determined by Buyer.

"Bid Process Limit" shall mean, as of any date of determination, the Bid Process Limit shall have been met if a Bid Process was not a Successful Bid Process on two (2) or more occasions.

"Business Day" shall mean a day other than (i) a Saturday or Sunday, or (ii) a day in which the New York Stock Exchange or banks in the States of New York, Illinois or Minnesota are authorized or obligated by law or executive order to be closed. When used with respect to a Pricing Rate Determination Date, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banks in London, England are closed for interbank or foreign exchange transactions.

"Buyer" shall mean Deutsche Bank AG, New York Branch, or any successor or assignee thereof.

"Capital Expenditure" shall mean, with respect to any Mortgage Loan that is an Investor Bridge Loan, any capital expenditures associated with the related Mortgage Property that have been funded by Additional Advances and verified by the Verification Agent, but which have not been included in the Mortgaged Property Valuation.

"Cash" shall mean such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"Cash Management Account" shall mean a segregated interest bearing account, entitled "ReadyCap Commercial, LLC, Ready Capital Subsidiary REIT I, LLC, Sutherland Warehouse Trust II and Sutherland Asset I, LLC, as Sellers, Cash Management Account for the benefit of Deutsche Bank AG, New York Branch, as Buyer", established at the Depository, bearing account number 173245000.

"Change of Control" shall mean the occurrence of any of the following events with respect to any Seller or the Guarantor: (1) the sale, transfer or other disposition of all or substantially all of such Seller or Guarantor's assets or (2) any Person or group of Persons shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the beneficial owner, directly or indirectly, of (i) 25% or more of the total voting power of all classes of equity interests of such Seller or the Guarantor entitled to vote generally in the election of the directors of such Seller or the Guarantor, as appropriate, or (ii) 25% or more of the total voting power of all classes of equity interests of an ultimate beneficial owner of such Seller or the Guarantor, as applicable, that is the beneficial owner of 25% or more of the total voting power of all classes of equity interests of such Seller or the Guarantor, as applicable, entitled to vote generally in the election of the directors of such Seller or the Guarantor, as applicable.

"Change in Law" shall have the meaning specified in Section 3(i) of this Agreement.

"Closing Date" shall mean the date hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collateral" shall have the meaning specified in Section 6 of this Agreement.

"Collection Period" shall mean the period commencing on (and including) the fourteenth (14th) day of each calendar month and ending on (and excluding) the fourteenth (14th) day of the next succeeding calendar month.

"Concentration Limits" shall mean, on any date of determination, and unless otherwise agreed by the Buyer in its sole and absolute discretion, the Concentration Limits shall be satisfied if:

a) The aggregate Eligible Loan Amount for all Purchased Loans (x) related to a single Mortgagor (without regard to any Purchased Loans related to any Affiliate of such Mortgagor) or (y) cross-defaulted with any other Purchased Loan shall not exceed $25,000,000;

b) The aggregate Eligible Loan Amount for all Purchased Loans related to any Mortgagor or any Affiliates of said Mortgagor shall not exceed $50,000,000 (or such lower amount as required by the Buyer in its sole and absolute discretion);

c) The aggregate Eligible Loan Amount for all Purchased Loans secured by the same property type shall not exceed the greater of (i) $48,750,000 and (ii) 65% of the Base Amount;

d) The aggregate Eligible Loan Amount for all Purchased Loans secured by self-storage property shall not exceed 15% of the Base Amount;

e) The aggregate Eligible Loan Amount for all Purchased Loans secured by Mortgaged Properties located in (A) each of California and New York shall not individually exceed the greater of (i) $75,000,000 and (ii) 40% of the Base Amount as of such date of determination, (B) each of Texas, Florida and Illinois shall not individually exceed the greater of (i) $60,000,000 and (ii) 40% of the Base Amount as of such date of determination and (C) in any other state shall not individually exceed the greater of (i) $45,000,000 and (ii) 30% of the Base Amount as of such date of determination;

f) The aggregate Eligible Loan Amount for Purchased Loans which are Sub- Performing Mortgage Loans or Defaulted Mortgage Loans shall not exceed the greater of (i) $15,000,000 and (ii) 10% of the Base Amount as of such date of determination;

g) For all Purchased Loans that are Conventional Commercial Loans, (i) the Weighted Average LTV shall not exceed 75%, (ii) the Weighted Average As-Is Debt Yield shall be no less than 10.50% and (iii) the Weighted Average As-Is Debt Service Coverage Ratio shall be no less than 1.30;

h) For all Purchased Loans that are Conventional Multifamily Loans, (i) the Weighted Average LTV shall not exceed 75%, (ii) the Weighted Average As-Is Debt Yield shall be no less than 9.50% and (iii) the Weighted Average As-Is Debt Service Coverage Ratio shall be no less than 1.30;

i) For all Purchased Loans that are Investor Bridge Loans, (i) the Weighted Average LTV shall not exceed 70%, it being understood that, solely for purposes of such calculation, the Mortgaged Property Valuation of the related Mortgaged Property shall include 75% of any Capital Expenditures made with respect to such Investor Bridge Loan since the date of the most recent Current Appraisal and (ii) the Weighted Average Stabilized Debt Yield shall be no less than 10.00%; *provided,* that (A) the aggregate Eligible Loan Amount of all Purchased Loans that are Investor Bridge Loans shall not exceed $175,000,000 and (B) the aggregate Eligible Loan Amount of all Purchased Loans that are Investor Bridge Loans with a maximum Principal Balance (including any Future Advance Obligations) greater than $10,000,000 shall not exceed 25% of the Maximum Amount;

j) The aggregate Eligible Loan Amount for all Purchased Loans which are classified in geographic risk score categories 4 or 5 at origination shall not exceed the greater of (i) $20,000,000 and (ii) 10% of the Base Amount as of such date of determination;

k) The aggregate Eligible Loan Amount for all Purchased Loans with a Principal Balance less than $1,000,000 shall not exceed 15% of the aggregate Eligible Loan Amount for all Purchased Loans; and

l) During the Extension Period, the aggregate Eligible Loan Amount of all Purchased Loans that are Investor Bridge Loans shall not exceed 40% of the aggregate outstanding Repurchase Price of all Purchased Loans.

"Confirmation" shall have the meaning specified in Section 3(b) of this Agreement.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Controlled Account Agreement" shall mean that certain Securities Account Control Agreement, dated as of December 18, 2014, among Buyer, the Seller Parties and the Depository, relating to the Cash Management Account, the Margin Account and the Reserve Account, as the same may be amended, modified and/or restated from time to time.

"Conventional Commercial Loan" shall have the meaning specified in the Underwriting Criteria.

"Conventional Commercial Loan Maximum Original Purchase Percentage" shall mean with respect to any Transaction the subject of which is a Conventional Commercial Loan, eighty- two-and-a-half percent (82.5%).

"Conventional Loan" shall mean either a Conventional Commercial Loan or a Conventional Multifamily Loan.

"Conventional Multifamily Loan" shall have the meaning specified in the Underwriting Criteria.

"Conventional Multifamily Loan Maximum Original Purchase Percentage" shall mean with respect to any Transaction the subject of which is a Conventional Multifamily Loan, eighty percent (80%).

"Credit Event" shall mean, with respect to any Purchased Loan, the occurrence of any of the following events (individually or collectively): (i) the occurrence and continuance of a monetary or material non-monetary Loan Event of Default with respect to such Purchased Loan; (ii) a material decline in As-Is Net Operating Income of the related Mortgagor; (iii) a material decline in the Mortgaged Property Valuation of the related Mortgaged Property; or (iv) a Material Adverse Event with respect to such Purchased Loan.

"Current Appraisal" shall mean, with respect to each Mortgaged Property, an Appraisal of such Mortgaged Property issued no more than (i) sixty (60) days prior to the related Purchase Date (other than the Initial Purchased Loans), (ii) twelve (12) months prior to any date of determination, (iii) with respect to any Sub-Performing Mortgage Loan, within thirty (30) days of such Purchased Loan becoming a Sub-Performing Mortgage Loan, and (iv) with respect to any Defaulted Loan, within thirty (30) days of such Purchased Loan becoming a Defaulted Loan.

"Custodial Agreement" shall mean the Custodial Agreement, dated December 18, 2014, by and among the Custodian, the Seller Parties and Buyer, as the same may be amended, modified and/or restated from time to time.

"Custodial Delivery" shall mean the form executed by the applicable Seller in order to deliver the Loan Schedule and the Loan File with respect to any Purchased Loan to Buyer or its designee (including the Custodian) pursuant to Section 7, a form of which is attached hereto as Exhibit IV.

"Custodian" shall mean U.S. Bank National Association, or any successor Custodian appointed by Buyer with the prior written consent of Sellers (which consent shall not be unreasonably withheld or delayed).

"Dark LTV" shall mean, as of any date of determination and expressed as a percentage, (x) the Principal Balance of such Investor Bridge Loan divided by (y) the value of the related Mortgaged Property, based solely on the value of the real property and excluding any rental income, personal property or going concern value.

"Default" shall mean any event which, with the giving of notice, the passage of the applicable cure period, if any, or both, would constitute an Event of Default.

"Defaulted Loan" shall mean a Mortgage Loan with respect to which (a)(i) any payment is one hundred twenty (120) days or more delinquent or (ii) the applicable Seller determines that it is reasonably likely that the Mortgagor will not be able to make a delinquent payment within one hundred eighty (180) days after such payment was due, (b) the Mortgagor is subject to an Act of Insolvency, (c) there exists a default, other than a payment default, that the applicable Seller determines is reasonably likely to result, or that has resulted, in the acceleration of such Mortgage Loan, (d) the applicable Seller has determined that a default, other than a payment default, that is reasonably likely to result in the acceleration of such Mortgage Loan is imminent, (e) the related Mortgaged Property is an REO Property or (f) has been subject to any Material Modification on two (2) or more occasions within any twenty-four (24)-month period.

"Depository" shall mean U.S. Bank National Association, or any successor Depository appointed by Buyer with the prior written consent of Sellers (which consent shall not be unreasonably withheld or delayed).

"Diligence Event" shall mean any of the following events:

(i) a Default; or

(ii) a Servicer Termination Event; or

(iii) any other event which, in the reasonable good-faith determination of the Buyer, would have a material and adverse impact on the interests of the Buyer.

"Discount Factor" shall mean, with respect to (i) any Mortgage Loan that is a Performing Mortgage Loan, 100% and (ii) any Mortgage Loan that is a Sub-Performing Mortgage Loan, 70%.

"Early Partial Repurchase Payment" shall have the meaning specified in Section 3(n) of this Agreement.

"Early Repurchase" shall have the meaning specified in Section 3(d) of this Agreement.

"Early Repurchase Date" shall have the meaning specified in Section 3(d) of this Agreement.

"Effective Date" means November 7, 2019.

"Eligibility Compliant Ratio" shall mean, as of any date of determination, a condition which will be satisfied if (i) with respect to any Mortgage Loan that is an Investor Bridge Loan, both (A) the LTC of such Mortgage Loan is less than or equal to 80% and (B) the LTV of such Mortgage Loan is less than or equal to 95% and (ii) with respect to any Mortgage Loan that is a Conventional Multifamily Loan or a Conventional Commercial Loan, the LTV of such Mortgage Loan is less than or equal to 90%.

"Eligibility Matrices" shall mean the matrices attached hereto as Exhibit XIII.

"Eligible Loan" shall mean a Mortgage Loan that is eligible to be purchased by the Buyer hereunder. As of any date of determination, and with respect to each Mortgage Loan, the Buyer shall have the right to determine if such Mortgage Loan is an Eligible Loan based on the criteria set forth below, such determination to be made by the Buyer in its reasonable sole discretion.

A Mortgage Loan shall be an Eligible Loan if:

a) it is a senior, secured Mortgage Loan with a first priority perfected security interest in a Mortgaged Property;

b) it was originated by the Originator in material compliance with the Underwriting Criteria and the terms of which comply with the Underwriting Criteria as of the related Purchase Date; *provided,* however, that any Mortgage Loan that complies with the Underwriting Criteria as a result of compensating factors shall be an Eligible Loan subject to the Buyer's sole and absolute discretion; *provided,* further, that any Mortgage Loan originated by an originator other than the Originator is subject to Buyer's approval in its sole and absolute discretion;

c) it complies, as of the related Purchase Date, with the Eligibility Matrices;

d) it is (i) with respect to any New Collateral, performing and current with respect to all scheduled principal and interest payments due on or before the related Purchase Date and (ii) not a Defaulted Loan;

e) it is directly secured by a Mortgaged Property that is an Eligible Mortgaged Property Type, free and clear of any subordinate liens and with Loan Documents that prohibit subordinate liens;

f) it was originated in conformance with and remains in compliance with all local, state and federal statutes, rules and regulations in all material respects; *provided,* that a Mortgage Loan in compliance with local, state and federal statutes due to an applicable "grandfather provision", shall be considered eligible for purposes of this clause (f);

g) its related Mortgagor is an Eligible Mortgagor;

h) it is denominated in U.S. dollars;

i) it requires the related Mortgagor to make interest payments no less frequently than monthly;

j) it is a Mortgage Loan for which, in connection with its origination, the Originator obtained all appraisals, title insurance, environmental reports and engineering reports that are required in accordance with the Underwriting Criteria; *provided,* further, that if an originator other than the Originator originated such Mortgage Loan, such originator obtained all appraisals, title insurance, environmental reports and engineering reports required by Buyer in its sole and absolute discretion;

k) its related Loan File was, or will be, delivered to the Custodian in accordance with the Custodial Agreement and subject to any grace and/or cure periods provided herein;

l) it is not a participation interest in any loan;

m) it is not secured by unimproved land or real property that is undergoing ground-up construction, other than rehabilitation or the construction of tenant improvements;

n) it is a Mortgage Loan for which all Loan Documents conform in all respects with the Form Documents other than any Non-Material Deviations or deviations approved by the Buyer in its sole and absolute discretion;

o) the Loan Representations are true and correct in all material respects, subject to any exceptions to such representations and warranties that are approved by the Buyer;

p) it was originated on an arm's-length basis;

q) a Current Appraisal has been posted to the website www.box.com or otherwise delivered to the Buyer and the Verification Agent in respect of such Purchased Loan;

r) it has not been subject to any Material Modification;

s) it would not be deemed to be uncollectable in accordance with ordinary business practices;

t) it is an Origination Product;

u) with respect to any New Collateral, it has a Principal Balance no less than $750,000 and no greater than $10,000,000 or, solely with respect to Investor Bridge Loans, $20,000,000 (including any Future Advance Obligations);

v) it satisfies the Eligibility Compliant Ratio test;

w) with respect to each Mortgage Loan that is an Investor Bridge Loan that may be subject to a Transaction after the Effective Date, the Dark LTV for such Investor Bridge Loan shall not exceed 90%; and

x) with respect to any Conventional Loan, a Securitization Takeout shall not have occurred since the Purchase Date of such Conventional Loan; *provided,* however, that if the origination date of such Conventional Loan is sixty (60) days prior to the cut- off date for such Securitization Takeout or after, such Conventional Loan shall continue to be an Eligible Loan hereunder notwithstanding that it remains subject to a Transaction following such Securitization Takeout.

provided, however, that a Mortgage Loan that does not meet such criteria may nevertheless be an Eligible Loan if the Buyer in its sole and absolute discretion consents to such Mortgage Loan being an Eligible Loan.

"Eligible Loan Amount" shall mean, with respect to a Mortgage Loan that is an Eligible Loan, the lesser of: (i) the Principal Balance of such Eligible Loan, (ii) the Market Value of such Eligible Loan (iii) 80% of the Mortgaged Property Valuation of such Eligible Loan and (iv) solely with respect to an Eligible Loan that is an Investor Bridge Loan, 75% of an amount equal to the sum of (A) the Mortgaged Property Valuation of such Eligible Loan plus (B) any Capital Expenditures made with respect to such Eligible Loan since the most recent Current Appraisal Date; *provided,* however, that if, as of any date of determination, any Concentration Limit shall not have been satisfied, then the Eligible Loan Amount of one or more Eligible Loans shall be reduced, in an amount determined by the applicable Seller to the extent necessary so that all Concentration Limits shall be satisfied as of such date of determination; *provided,* further, that for each Mortgage Loan that is not an Eligible Loan, the Eligible Loan Amount shall be $0.

"Eligible Margin Collateral" shall mean any of (i) Cash, (ii) bonds, debentures, treasury bills, notes or other securities issues by the government of the United States of America and (iii) other securities agreed to by both the Buyer and the Sellers.

"Eligible Mortgaged Property Type" shall mean a Mortgaged Property that is primarily used as a retail, office, industrial, multifamily property, warehouse, self-storage, or a mixed use property involving any combination of such uses.

"Eligible Mortgagor" shall mean a Mortgagor that (i) is an entity whose jurisdiction of formation and principal place of business are located in the United States and (ii) is not an Affiliate of (A) any Seller Party, (B) any holder of an Equity Interest in any Seller Party or (C) any director, manager, member or officer of any Seller Party.

"Environmental Law" shall mean any present or future federal, state or local law, statute, regulation or ordinance, any judicial or administrative order or judgment thereunder, pertaining to health, industrial hygiene, hazardous substances or the environment, including, but not limited to, each of the following, as enacted as of the date hereof or as hereafter amended: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§ 9601 et seq.; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901 et seq.; the Toxic Substance Control Act, 15 U.S.C. §§ 2601 et seq.; the Water Pollution Control Act (also known as the Clean Water Act, 22 U.S.C. §§ 1251 et seq.), the Clean Air Act, 42 U.S.C. §§ 7401 et seq. and the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 et seq.

"Equity Interests" shall mean, any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests, beneficial interests (in the case of a trust) and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and, as of the relevant date, any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which any Seller is a member and (ii) solely for purposes of potential liability under Section 302(b)(2) of ERISA and Section 412(b)(2) of the Code and the lien created under Section 303(k) of ERISA and Section 430(k) of the Code, described in Section 414(m) or (o) of the Code of which any Seller is a member.

"ERISA Event" shall mean (a) a Reportable Event with respect to a Plan; (b) a withdrawal by a Seller or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by a Seller or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon a Seller or any ERISA Affiliate.

"Excluded Taxes" shall have the meaning specified in Section 29(b) of this Agreement.

"Existing Agreement" shall have the meaning set forth in the preliminary statement.

"Exit Fee" shall have the meaning given thereto in the Letter Agreement.

"Extension Period" shall have the meaning given thereto in the Letter Agreement.

"Event of Default" shall have the meaning specified in Section 13(a).

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"FDIA" shall have the meaning specified in Section 22(c).

"FDICIA" shall have the meaning specified in Section 22(d).

"Federal Funds Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by Buyer from three (3) federal funds brokers of recognized standing selected by it; *provided,* that such selected brokers shall be the same brokers as selected for all of Buyer's other repurchase customers where the Federal Funds Rate is to be applied, to the extent such brokers are available.

"Filings" shall have the meaning specified in Section 6 of this Agreement.

"Form Documents" shall mean the Originator's standard commercial mortgage loan documents as in effect on the Closing Date, which documents shall not be modified without the prior written consent of the Buyer, other than with respect to any changes that would constitute a Non-Material Deviation.

"Funding Certification" shall have the meaning specified in Section 3(a).

"Funding Compliant Ratio" shall mean, as of any Purchase Date, a condition which will be satisfied if (i) with respect to any Mortgage Loan that is an Investor Bridge Loan, both (A) the LTC of such Mortgage Loan is less than or equal to 75% and (B) the LTV of such Mortgage Loan is less than or equal to 95% and (ii) with respect to any Mortgage Loan that is a Conventional Multifamily Loan or a Conventional Commercial Loan, the LTV of such Mortgage Loan is less than or equal to 80%.

"Future Advance" shall mean, with respect to any Mortgage Loan, any advance of funds made pursuant to the terms of the related Loan Documents after the origination of such Mortgage Loan.

"Future Advance Obligation" shall mean, with respect to any Mortgage Loan and any date of determination, the aggregate amount (without duplication) of unfunded Future Advances relating to such Mortgage Loan.

"GAAP" shall mean United States generally accepted accounting principles consistently applied as in effect from time to time.

"Governmental Authority" shall mean any national or federal government, any state, regional, local or other political subdivision thereof with jurisdiction and any Person with

jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor" shall mean Sutherland Partners, L.P., in its capacity as guarantor under the Guaranty.

"Guaranty" shall mean the Third Amended and Restated Guaranty, dated as of November 7, 2019, from the Guarantor to Buyer, as the same may be amended, modified and/or restated from time to time.

"Hazardous Materials" shall mean oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including any substances which are "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "wastes," "regulated substances," "industrial solid wastes," or "pollutants" under Environmental Laws.

"Hedge Counterparty" shall mean an Affiliated Hedge Counterparty or any other counterparty to a Hedging Transaction approved by Buyer in its reasonable discretion.

"Hedging Transaction" shall mean, with respect to any Purchased Loan, any short sale of U.S. Treasury Securities or mortgage-related securities, futures contract (including Eurodollar futures) or options contract or any interest rate swap, cap or collar agreement or similar arrangements providing for protection against fluctuations in interest rates or the exchange of nominal interest obligations, or which otherwise hedges the value of a Purchased Loan, either generally or under specific contingencies, entered into by any Seller or Guarantor (or an Affiliate of Guarantor) with a Hedge Counterparty and which has been collaterally assigned to Buyer in accordance with the terms hereof.

"Income" shall mean, with respect to any Purchased Loan at any time, the sum of (x) payments of principal, interest, dividends or other similar distributions or collections, (y) all net sale proceeds received by the Seller Parties or any Affiliate of either of them in connection with a sale of such Purchased Loan, other than any origination fees that were earned and paid prior to the related Purchase Date and (z) payments or other distributions received pursuant to any related Hedging Transaction for such Purchased Loan.

"Indemnified Amounts" shall have the meaning specified in Section 26.

"Indemnified Parties" shall have the meaning specified in Section 26.

"Investment Manager" shall mean Waterfall Asset Management, LLC.

"Investor Bridge Loan" shall have the meaning specified in the Underwriting Criteria.

"Investor Bridge Loan Maximum Original Purchase Percentage" shall mean with respect to any Transaction the subject of which is an Investor Bridge Loan, seventy-five percent (75%).

"Letter Agreement" shall mean that certain sixth amended and restated letter agreement, dated as of the Effective Date, among Buyer and the Seller Parties, as the same may be amended, modified and/or restated from time to time.

"LIBOR" shall mean, with respect to each Pricing Rate Period, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/1000 of 1%) for deposits in U.S. dollars, for a three (3)-month period, that appears on Reuters Screen LIBOR03 (or the successor thereto) as of 11:00 a.m., London time, on the related Pricing Rate Determination Date. If such rate does not appear on Reuters Screen LIBOR03 as of 11:00 a.m., London time, on such Pricing Rate Determination Date, Buyer shall request the principal London office of any four (4) major reference banks in the London interbank market selected by Buyer to provide such bank's offered quotation (expressed as a percentage per annum) to prime banks in the London interbank market for deposits in U.S. dollars for a three (3)-month period as of 11:00 a.m., London time, on such Pricing Rate Determination Date for amounts of not less than the Repurchase Price of the Transaction. If at least two (2) such offered quotations are so provided, LIBOR shall be the arithmetic mean of such quotations. If fewer than two (2) such quotations are so provided, Buyer shall request any three (3) major banks in New York City selected by Buyer to provide such bank's rate (expressed as a percentage per annum) for loans in U.S. dollars to leading European banks for a three (3)-month period as of approximately 11:00 a.m., New York City time on the applicable Pricing Rate Determination Date for amounts of not less than the Repurchase Price of the Transaction. If at least two (2) such rates are so provided, LIBOR shall be the arithmetic mean of such rates. LIBOR shall be determined by Buyer or its agent, which determination shall be conclusive absent manifest error.

"LLC Seller" shall mean each of Originator, Ready REIT, Sutherland, and each other limited liability company party hereto as a Seller.

"Loan Documents" shall mean, with respect to a Purchased Loan, the documents included or required to be included, as the context may require, in the related Loan File and Servicing File.

"Loan Event of Default" shall mean for any Purchased Loan, an "Event of Default" as defined in the Loan Documents for such Purchased Loan (or such other term as is used in such documents to describe events the occurrence of which gives the lender the right to accelerate (or causes the automatic acceleration of) such Purchased Loan); *provided,* however, that no default under the Loan Documents for any Purchased Loan shall become a Loan Event of Default hereunder unless such default is not cured within any applicable grace and cure periods (if any) under the applicable Loan Documents or is waived by applicable Seller, as lender thereunder, with Buyer's written consent.

"Loan File" shall mean the documents specified as the "Loan File" in Section 7(b), together with any additional documents and information required to be delivered to Buyer or its designee (including the Custodian) pursuant to this Agreement.

"Loan Representations" shall mean with respect to any Purchased Loan or prospective Purchased Loan, the representations and warranties set forth on Exhibit VI attached hereto or, if different, the representations and warranties applicable to such Purchased Loan as set forth on Schedule 2 to the Confirmation for such Purchased Loan, in each case, as modified by any

exceptions to such representations and warranties disclosed in writing by the applicable Seller which are approved by Buyer in its sole and absolute discretion and set forth on Schedule 3 to the related Confirmation.

"Loan Schedule" shall mean a schedule of Purchased Loans attached to each Trust Receipt and Custodial Delivery.

"LTC" shall mean, as of any date of determination and with respect to any Mortgage Loan, the ratio of the Principal Balance of such Mortgage Loan to the sum of (i) the Mortgaged Property Valuation of the related Mortgaged Property and (ii) any Capital Expenditures made with respect to such Mortgage Loan since the date of the most recent Current Appraisal.

"LTV" shall mean, as of any date of determination and with respect to any Mortgage Loan, the ratio of the Principal Balance of such Mortgage Loan to the Mortgaged Property Valuation of the related Mortgaged Property.

"Mandatory Early Repurchase" shall have the meaning specified in Section 3(l).

"Mandatory Early Repurchase Date" shall have the meaning specified in Section 3(l).

"Mandatory Early Repurchase Event" shall mean, with respect to any Purchased Loan, the occurrence of any of the following:

(i) such Mortgage Loan ceases to be an Eligible Loan;

(ii) such Mortgage Loan violates the Concentration Limits;

(iii) a voluntary or involuntary bankruptcy petition is filed with respect to the related Mortgagor or guarantor of such Purchased Loan;

(iv) all or a material portion of the Mortgaged Properties securing such Purchased Loan shall be (A) materially damaged or destroyed by fire or other casualty or (B) taken by any Governmental Authority having jurisdiction over such Mortgaged Properties as the result, in lieu or in anticipation of the exercise of the right of condemnation or eminent domain; or

(v) any other event or condition specifically designated as a Mandatory Early Repurchase Event in the applicable Confirmation for such Purchased Loan.

"Margin Account" shall mean a segregated interest bearing account, entitled "ReadyCap Commercial, LLC, Ready Capital Subsidiary REIT I, LLC, Sutherland Warehouse Trust II and Sutherland Asset I, LLC, as Sellers, Margin Account for the benefit of Deutsche Bank AG, New York Branch, as Buyer", established at the Depository, bearing account number 173245001.

"Margin Deficit" shall have the meaning specified in Section 4(a) hereof.

"Margin Excess" shall have the meaning specified in Section 4(a) hereof.

"Margin Payment Date" shall have the meaning as defined in Section 4(b).

"Market Value" shall mean, as of any date of determination and for any Eligible Loan, the bid-side fair market value in an arms-length transaction between two consenting parties of such Eligible Loan, expressed as a Dollar amount, as determined (i) prior to a Successful Bid Process, by the Buyer in its sole discretion acting in good faith and (ii) following a Successful Bid Process but prior to a new determination of the Market Value by the Buyer, by the Valuation Agent pursuant to the Bid Process. The Buyer shall determine the Market Value of the Eligible Loans under clause (i) above at such intervals as determined by the Buyer in its sole discretion, using the same methodology used to determine the market value of its own assets similar to the Eligible Loans, acting in good faith. The Buyer's election, in its sole and absolute discretion, not to determine the Market Value of an Eligible Loan at any time shall not in any way limit or impair its right to make such determination in the future. Unless otherwise agreed by the Buyer in its sole discretion, the Market Value of each Mortgage Loan that is not an Eligible Loan shall be $0.

"Market Value Percentage" shall mean, with respect to any Eligible Loan or Purchased Loan, as of any date, the fraction, expressed as a percentage and rounded to the next highest hundredth of a percent, the numerator of which is the then current Market Value of such Eligible Loan or Purchased Loan, and the denominator of which is the then current Principal Balance of such Eligible Loan or Purchased Loan.

"Market Value Percentage Increase" shall mean the greater of (i) zero (0) and (ii) the difference between (x) the then current Market Value Percentage of such Purchased Loan and (y) the Market Value Percentage of such Purchased Loan as of the last date that any Seller cured a Margin Deficit pursuant to Section 4(b).

"Material Adverse Effect" shall mean a material adverse effect on or material adverse change in or to (a) the property, assets, business, operations, financial condition or credit quality of the Originator or Guarantor (taken as a whole), (b) the ability of any Seller or Guarantor to pay or perform its obligations under any of the Transaction Documents to which it is a party, (c) the validity or enforceability of any of the Transaction Documents, (d) the rights and remedies of Buyer under any of the Transaction Documents, or (e) the value of one or more Purchased Loans.

"Material Adverse Event" shall mean any act of God, outbreak of hostility or war, or material adverse change or material disruption in current financial, banking or capital market conditions, in each case, which could reasonably be excepted to cause the Purchased Loans to become delinquent or to adversely affect the Mortgaged Property Valuation of the Purchased Loans.

"Material Modification" shall mean any modification, waiver or amendment of any term of, or any other acts with respect to, any Mortgage Loan that would:

(i) (A) affect the amount or timing of any related payment of principal, interest or other amount payable (other than penalty charges) under such Mortgage Loan, (B) materially and adversely affect the security for such Mortgage Loan or (C) not constitute a Non-Material Deviation;

(ii) release the related guarantor or otherwise materially modify the terms of the related guaranty;

(iii) result in the addition or substitution of any collateral for an outstanding Mortgage Loan; or

(iv) result in any subordinated or mezzanine debt with respect to such Mortgage Loan or the related Mortgaged Property.

"Maximum Amount" shall have the meaning set forth in the Letter Agreement.

"Maximum Original Purchase Percentage" shall mean, with respect to any Transaction, the percentage specified as the Maximum Original Purchase Percentage in the Confirmation for such Transaction which percentage shall equal the product of (i) the Base Maximum Original Purchase Price Percentage and (ii) the applicable Discount Factor.

"Modified Mortgage Loan" shall mean any Mortgage Loan with respect to which a Material Modification has occurred.

"Mortgage" shall mean a mortgage, deed of trust, deed to secure debt or other instrument, creating a valid and enforceable first lien on or a first priority ownership interest in an estate in fee simple or ground lease interest in real property and the improvements thereon, securing a Mortgage Note.

"Mortgage Loan" shall mean a loan evidenced by a Mortgage Note and secured by a Mortgage on a Mortgaged Property.

"Mortgage Loan Documents" shall mean for any Mortgage Loan, the Mortgage Note, Mortgages and all other documents evidencing and/or securing such Mortgage Loan.

"Mortgage Loan Pre-Funding Diligence" shall have the meaning specified in Section 27.

"Mortgage Note" shall mean a note or other evidence of indebtedness of a Mortgagor secured by one or more Mortgages.

"Mortgaged Properties" shall mean, with respect to any Eligible Loan or Purchased Loan, the properties securing such Eligible Loan or Purchased Loan.

"Mortgaged Property Valuation" shall mean, as of any date of determination, with respect to any Mortgaged Property related to a Mortgage Loan the "as-is" appraised value of such Mortgaged Property based on the most recent Current Appraisal of such Mortgaged Property; *provided*, *however,* if a Credit Event has occurred with respect to such Mortgage Loan, after providing written notice of such intention to the applicable Seller, the Buyer shall have the right to direct the applicable Seller to direct the applicable Servicer to obtain a new or updated Appraisal of such Mortgaged Property, at the applicable Seller's expense, which new or updated Appraisal when received shall be used to determine the Mortgaged Property Valuation of such Mortgaged Property; *provided*, further, if, following the Closing Date, the Property Value Index declines by 5% or more from its value as of the Closing Date, the Buyer shall have the right to direct the

applicable Seller to direct the applicable Servicer to obtain a Sample Valuation. In the event that the Sample Valuation shows a decrease of 10% or more in the weighted average property value of the sampled Mortgaged Properties, the Buyer shall have the right to direct the applicable Seller to direct the applicable Servicer to obtain a new or updated Appraisal for each of the Purchased Loans. If at any time the Property Value Index declines an additional 5% from its value as of the date of the previous Sample Valuation, the Buyer shall have the right to direct the applicable Seller to direct the Servicer to obtain a new Sample Valuation.

"Mortgagor" shall mean the obligor on a Mortgage Note and the mortgagor/grantor under the related Mortgage(s).

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been, or were required to have been, made by any Seller or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Market Value Decrease" shall mean, with respect to any Purchased Loan, as of any date of determination, an amount equal to the greater of (a) zero and (b) (i) if the difference between (x) the Purchase Date Market Value Percentage of such Purchased Loan, and (y) the then current Market Value Percentage of such Purchased Loan (such difference, the "Market Value Percentage Decrease"), as of such date of determination, is not greater than 10%, the product of (1) the then current Principal Balance of such Purchased Loan, (2) the Market Value Percentage Decrease of such Purchased Loan and (3) the Maximum Original Purchase Percentage for such Purchased Loan or (ii) if the Market Value Percentage Decrease of such Purchased Loan, as of such date of determination, is greater than 10%, the product of (1) the then current Principal Balance of such Purchased Loan and (2) the Market Value Percentage Decrease of such Purchased Loan, as of such date of determination.

"Net Market Value Increase" shall mean, with respect to any Purchased Loan, as of any date of determination, an amount equal to the product of (i) the then current Principal Balance of such Purchased Loan and (ii) the Market Value Percentage Increase of such Purchased Loan, as of such date of determination.

"New Collateral" shall mean a Mortgage Loan that any Seller proposes to be included as Collateral.

"Non-Material Deviation" shall mean, with respect to any Loan Document, a deviation in the terms or conditions of such Loan Document from the Form Documents (A) arising solely out of (i) changes to deal-specific economic terms such as pricing, the party against whom recourse is available, whether or not recourse is available and maturity date or (ii) changes required by applicable federal, state and/or local laws and regulations, (B) that does not have a material and adverse effect on (x) the security intended to be provided to the Buyer hereunder or (y) the rights and remedies of the Buyer for the practical realization against the collateral (including any guaranty) securing such Mortgage Loan or (C) that creates or alters any material obligation of any Seller Party.

"OFAC" shall have the meaning specified in the definition of Prohibited Person.

"OFAC Laws" shall have the meaning specified in the definition of Prohibited Person.

"Omnibus Assignment" shall mean, with respect to any Mortgage Loan, an assignment of the Mortgage, assignment of leases and rents (unless such item is a document separate from the Mortgage) and all other documents related to such Mortgage Loan.

"Origination Product" shall mean either a Conventional Commercial Loan, a Conventional Multifamily Loan or an Investor Bridge Loan originated by the Originator in accordance with the Underwriting Criteria.

"Originator" shall have the meaning specified in the preliminary statement.

"Other Connection Taxes" means, with respect to Buyer, Taxes imposed as a result of a present or former connection between Buyer and the jurisdiction imposing such Tax (other than connections arising from Buyer having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold or assigned an interest in any Transaction Document).

"Other Financing Agreement" shall mean any financing agreement or other credit facility with respect to small business loans or mortgage loans with any Person other than Buyer or an Affiliate of Buyer.

"Participant Register" shall have the meaning specified in Section 18(d).

"Paying Agent" shall mean U.S. Bank National Association, in its capacity as paying agent hereunder and under the Paying Agent Side Agreement, or any successor appointed by Buyer with the prior written consent of Sellers (which consent shall not be unreasonably withheld or delayed).

"Paying Agent Fee" shall mean $4,000 for each Remittance Date.

"Paying Agent Side Agreement" shall mean that certain Paying Agent Side Agreement, dated as of December 17, 2015, as executed by U.S. Bank National Association, Buyer and Sellers, as the same may be amended, supplemented or otherwise modified from time to time.

"Performing Mortgage Loan" shall mean any Eligible Loan that, as of any date of determination, is twenty-nine (29) days or less delinquent and is not a Sub-Performing Mortgage Loan or a Defaulted Mortgage Loan.

"Permitted Encumbrance" shall mean, with respect to any Mortgaged Property, (a) the lien of current real property taxes, water charges, sewer rents and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record; (c) the exceptions (general and specific) and exclusions set forth in the related title policy; (d) other matters to which like properties are commonly subject; (e) the rights of tenants (as tenants only) under leases (including subleases) pertaining to the related Mortgaged Property and condominium declarations and (f) if the related Mortgage Loan constitutes a cross- collateralized Mortgage Loan, the lien of the Mortgage for another Mortgage Loan contained in the same cross-collateralized group, *provided* that none of which items (a) through (f), individually or in the aggregate, materially and adversely interferes with the current use or net operating income of the

Mortgaged Property or the security intended to be provided by such Mortgage or the related Mortgagor's ability to pay its obligations when they become due.

"Person" shall mean an individual, corporation, limited liability company, business trust, partnership, joint tenant or tenant-in-common, trust, unincorporated organization, or other entity, or a federal, state or local government or any agency or political subdivision thereof or other entity.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Plan" shall mean an employee benefit plan established or maintained by any Seller or any ERISA Affiliate during the five year period ended prior to the date of this Agreement or to which any Seller or any ERISA Affiliate makes, is obligated to make or has, within the five (5)-year period ended prior to the date of this Agreement, been required to make contributions and that is covered by Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code, other than a Multiemployer Plan.

"Plan Assets" shall have the meaning specified in Section 21(a).

"Plan Party" shall have the meaning specified in Section 21(a).

"Portfolio Interest Certificate" shall have the meaning specified in Section 29(c).

"Preliminary Due Diligence Package" shall mean with respect to any New Collateral, the following documents:

(i) all of the documents presented to the Originator's Loan Committee in connection with the approval of such Mortgage Loan, including the credit memorandum for the related Mortgage Loan,

(ii) a Current Appraisal of the related Mortgaged Property,

(iii) any other third-party reports related to such Mortgage Loan, including, but not limited to, environmental site assessments (such as Phase I assessments, Phase 2 assessments, or database searches) and property condition reports,

(iv) executed copies of all documents to be included in the Loan File for such Mortgage Loan (along with blacklines of such documents marked to show changes from the Form Documents),

(v) operating statements of the related Mortgagor,

(vi) evidence of insurance for the related Mortgaged Property,

(vii) a copy of the final HUD-1 settlement statement related to such Mortgage Loan,

(viii) the results of the review conducted by legal counsel to the Originator to confirm any exceptions with respect to (a) the Underwriting Criteria and (b) the Loan Representations,

(ix) a data tape containing information regarding such Mortgage Loan, substantially in the form attached hereto as Exhibit XVII, and

(x) any other information or documents reasonably requested by the Buyer prior to the related Purchase Date.

"Price Differential" shall mean, with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate to the Repurchase Price for such Transaction (as adjusted from time to time by reductions in the Repurchase Price pursuant to Sections 3(k), 4(b), 5(c)(iii), 5(d)(iii), 5(d)(v), and 5(e)(iii) and increases in the Repurchase Price as applicable, pursuant to Section 3(p)) on a three hundred sixty (360)-day-per-year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by the applicable Seller to Buyer with respect to such Transaction).

"Pricing Rate" shall mean for each Pricing Rate Period, an annual rate equal to LIBOR for such Pricing Rate Period plus the relevant Applicable Spread for such Transaction and shall be subject to adjustment and/or conversion as provided in Sections 3(f), 3(g) and 3(h) of this Agreement.

"Pricing Rate Determination Date" shall mean with respect to any Pricing Rate Period with respect to any Transaction, the second (2nd) Business Day preceding the first day of such Pricing Rate Period.

"Pricing Rate Period" shall mean, (a) in the case of the first Pricing Rate Period with respect to any Transaction, the period commencing on and including the Purchase Date for such Transaction and ending on and excluding the following Remittance Date, and (b) in the case of any subsequent Pricing Rate Period in respect of any Transaction, (x) the period commencing on and including such Remittance Date and ending on and excluding the following Remittance Date; *provided,* however, that in no event shall any Pricing Rate Period for any Transaction end subsequent to the Repurchase Date for such Transaction.

"Principal Balance" shall mean, at any date of determination and with respect to any Mortgage Loan, the lesser of (i) the then current outstanding principal balance of such Mortgage Loan and (ii) if the applicable Seller intends to acquire or acquires such Mortgage Loan at a discount, the purchase price paid or to be paid by such Seller, for such Mortgage Loan less all Principal Payments received thereon.

"Principal Payment" shall mean, with respect to any Mortgage Loan, any payment or prepayment of principal received by the applicable Seller, any Affiliate of such Seller, the applicable Servicer or the Depository in respect thereof and the proceeds of any sale of such Mortgage Loan or any interest therein received by the applicable Seller, any Affiliate of such Seller, the applicable Servicer or the Depository.

"Prohibited Person" shall mean (1) any person or entity who is on the Specially Designated Nationals list (the "SDN List") maintained by the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC"), (2) any person or entity owned, controlled or acting on behalf of a person on the SDN List and (3) any person or entity otherwise the target of the economic sanctions laws, regulations, and Executive Orders administered by OFAC (collectively, the "OFAC Laws") such that the entry into this Agreement or the performance of the obligation contemplated hereby would be prohibited if conducted by a U.S. person as that term is defined in the OFAC Laws.

"Protective Advance" shall mean a cash advance to pay all customary, reasonable and necessary "out of pocket" costs and expenses (including reasonable out-of-pocket attorneys' fees and fees and expenses of real estate brokers) incurred in connection with:

(i) the servicing and administration of a Mortgage Loan, if a default is imminent thereunder or a default, delinquency or other unanticipated event has occurred; or

(ii) the preparation of any appraisals, property condition assessments and environmental assessments required to be obtained pursuant to the applicable Servicing Agreement.

"Purchase Date" shall mean the date on which a Purchased Loan is to be transferred by the applicable Seller to Buyer.

"Purchase Date Market Value" shall mean, with respect to any Purchased Loan, the Market Value of such Purchased Loan as of the related Purchase Date, and which Purchase Date Market Value shall be set forth in the Confirmation for the related Transaction.

"Purchase Date Market Value Percentage" shall mean, with respect to any Purchased Loan, the fraction, expressed as a percentage and rounded to the next highest hundredth of a percent, the numerator of which is the Purchase Date Market Value of such Purchased Loan, and the denominator of which is the Principal Balance as of the related Purchase Date, and which Purchase Date Market Value Percentage shall be set forth in the Confirmation for the related Transaction.

"Purchase Price" shall mean, with respect to any Purchased Loan, the price at which such Purchased Loan is transferred by the applicable Seller to Buyer on the applicable Purchase Date. The Purchase Price as of any Purchase Date for any Purchased Loan shall be an amount (expressed in dollars) equal to the product obtained by multiplying (i) the Eligible Loan Amount of such Purchased Loan, by (ii) the Actual Original Purchase Percentage for such Purchased Loan.

"Purchased Loans" shall mean (i) with respect to any Transaction, the Eligible Loan or Eligible Loans sold by the related Seller to Buyer in such Transaction and (ii) with respect to the Transactions in general, all Eligible Loans sold by any Seller to Buyer, together with all Loan Documents, Servicing Agreements, Servicing Records, Servicing Rights, insurance, collection and escrow accounts and Hedging Transactions relating to any such Eligible Loans.

"Qualified Servicing Expenses" shall mean any fees, compensation and expenses payable to any third-party Servicer that is not an Affiliate of any Seller Party, which fees, compensation and expenses are netted by such Servicer out of collections pursuant to a Servicing Agreement that

has been approved by Buyer in writing in its sole and absolute discretion applied in good faith, and which Servicer shall have entered into a Servicer Notice and Agreement substantially in the form attached hereto as Exhibit IX.

"Ready REIT" shall have the meaning specified in the introductory statement.

"Real Estate Settlement Procedures Act" shall mean the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. §§ 2601 et seq.

"Register" shall have the meaning specified in Section 18(c) of this Agreement.

"Registrar" shall have the meaning specified in Section 18(c) of this Agreement.

"Regulatory Event" shall mean, with respect to the Buyer, any event that results in (i) any explicit or implicit charge, assessment, cost or expense by reason of the amount or type of assets, capital or supply of funding the Buyer or any of its Affiliates is required to maintain in connection with the Transactions, without regard to whether it is determined in reference to a reduction in the rate of return on the Buyer's or any Affiliate's assets or capital, an inherent cost of the establishment or maintenance of a reserve of stable funding, a reduction in the amount of any sum received or receivable by the Buyer or its Affiliates or otherwise, or (ii) any other imputed cost or expense arising by reason of the actual or anticipated compliance by the Buyer or any of its Affiliates with the Basel III regulations in connection with its maintenance of the Transactions, and in each case, such charge, assessment, cost or expenses is charged to other similarly situated mortgage finance borrowers of the Buyer.

"Remittance Date" shall mean the date that is seven (7) Business Days after the last day of the related Collection Period, or such other day as is mutually agreed to by the Sellers, Buyer, Depository and Paying Agent.

"Reportable Event" shall mean any of the events set forth in Section 4043(c) of ERISA other than events for which the thirty (30)-day notice period has been waived.

"Repurchase Date" shall have the meaning set forth in the Letter Agreement.

"Repurchase Obligations" shall have the meaning specified in Section 6.

"Repurchase Price" shall mean, with respect to any Purchased Loan as of any date, the price at which such Purchased Loan is to be transferred from Buyer to the applicable Seller upon termination of the related Transaction; such price will be determined in each case as the sum of (i) the Purchase Price of such Purchased Loan, (ii) the accrued but unpaid Price Differential with respect to such Purchased Loan as of the date of such determination and (iii) any Additional Advances made by Buyer to the applicable Seller with respect to such Purchased Loan pursuant to Section 3(p) of this Agreement, minus any cash actually received by Buyer in respect of the Repurchase Price of such Transaction pursuant to Sections 3(k), 4(b), 5(c)(iii), 5(d)(iii), 5(d)(v) and 5(e)(iii) of this Agreement or other amounts applied to reduce the Repurchase Price hereunder.

"Repurchase Price Cap" shall mean, with respect to any Purchased Loan, an amount equal to (i) the product of (x) the then current Principal Balance (after giving effect to Future Advances)

of such Purchased Loan, (y) the Purchase Date Market Value Percentage of such Purchased Loan, and (z) the Maximum Original Purchase Percentage of such Purchased Loan, *less* (ii) Net Market Value Decrease of such Purchased Loan, if any *plus* (iii) Net Market Value Increase of such Purchased Loan, if any.

"Required Number of Days" shall mean no less than three (3) Business Days.

"Requirement of Law" shall mean any law, treaty, rule, regulation, code, directive, policy, order or requirement or determination of an arbitrator or a court or other Governmental Authority whether now or hereafter enacted or in effect.

"REIT" shall mean a Person satisfying the conditions and limitations set forth in Section 856(b) and 856(c) of the Code which are necessary to qualify such Person as a "real estate investment trust," as defined in Section 856(a) of the Code.

"REO Property" shall mean any Mortgaged Property acquired through foreclosure, deed- in-lieu of foreclosure or otherwise.

"Reserve Account" shall mean a segregated interest bearing account, entitled "ReadyCap Commercial, LLC, Ready Capital Subsidiary REIT I, LLC, Sutherland Warehouse Trust II and Sutherland Asset I, LLC, as Sellers, Reserve Account for the benefit of Deutsche Bank AG, New York Branch, as Buyer", established at the Depository, bearing account number 173245002.

"SAMC" shall mean Sutherland Asset Management Corporation, a Maryland corporation.

"SDN List" shall have the meaning specified in the definition of Prohibited Person.

"SEC" shall have the meaning specified in Section 23(a).

"Securitization Takeout" shall mean a public or private transfer, sale or financing of one or more of the Purchased Loans by which any Seller or one or more of its Affiliates directly or indirectly securitizes a pool of one or more of the Purchased Loans, including, without limitation, any such transaction involving the sale of Purchased Loans to a special purpose entity organized for the purpose of issuing asset-backed or mortgaged-backed or mortgage pass- through securities of any kind.

"Seller" shall have the meaning set forth in the introductory statement.

"Seller Operating Agreements" shall mean, with respect to (i) the Originator, the Amended and Restated Limited Liability Company Agreement of Originator, dated as of November 1, 2012, (ii) Sutherland Trust II, the Trust Agreement dated as of May 27, 2016, (iii) Sutherland, the Limited Liability Company Agreement of Sutherland, dated as of January 24, 2014, (iv) Ready REIT, the Amended and Restated Limited Liability Company Agreement of Ready REIT, dated as of July 14, 2017 and (v) with respect to any Additional Seller, the by-laws, limited liability company agreement, limited partnership agreement, trust agreement or similar operating agreement in effect as of the date such Additional Seller executes the related Additional Seller Joinder Agreement, in each case, as the same may be amended, modified and/or restated with Buyer's prior written consent.

"Seller Parties" shall mean each Seller and the Guarantor.

"Servicer" shall mean the servicer under any Servicing Agreement.

"Servicer Notice and Agreement" shall have the meaning specified in Section 28(a).

"Servicer Termination Event" with respect to any Servicer, shall mean any "Event of Default" or similar term, as defined in the applicable Servicing Agreement.

"Servicing Agreement" shall have the meaning specified in Section 28(a).

"Servicing File" shall mean, with respect to each Purchased Loan, all documents (other than documents required to be part of the related Loan File, but including copies of such documents required to be part of the related Loan File), information and records relating to such Purchased Loan that are necessary to enable the applicable Servicer to perform its duties and service the Purchased Loan in compliance with the terms of this Agreement and the applicable Servicing Agreement, and any additional documents or information related thereto maintained or created by the Servicer.

"Servicing Records" shall have the meaning specified in Section 28(b).

"Servicing Rights" shall mean each Seller Party's right, title and interest in and to any and all of the following, in each case as the same may be subject to the terms of any applicable Servicing Agreements and the provisions of the documentation for the applicable Purchased Loans: (a) any and all rights of such Seller Party to service the Purchased Loans or to appoint (or terminate the appointment of) any third party as servicer of the Purchased Loans; (b) any payments to or monies received by or payable to any Seller Party (as opposed to any third-party servicer) as compensation for servicing the Purchased Loans (including, without limitation, workout fees, consent fees, liquidation fee, late fees, penalties or similar amounts payable to such Seller Party); (c) all agreements or documents creating, defining or evidencing any such servicing rights to the extent they relate to such servicing rights and all rights of such Seller Party (individually or as servicer) thereunder (including all rights to set the compensation of any third- party servicer); (d) the right, if any, to appoint a special servicer or liquidator of the Purchased Loans; and (e) all rights of such Seller Party to give directions with respect to the management and distribution of any collections, escrow accounts, reserve accounts or other similar payments or accounts in connection with the Purchased Loans.

"SIPA" shall have the meaning specified in Section 23(a).

"Stabilized Debt Service Coverage Ratio" shall mean, with respect to any Mortgage Loan on any date of determination, the ratio obtained by dividing (a) the Stabilized Net Operating Income of the related Mortgaged Property or Properties by (b) the product of (i) the sum of (x) the Principal Balance of such Mortgage Loan plus (y) the Future Advance Obligations of such Mortgage Loan and (ii) the related Assumed Interest Rate.

"Stabilized Debt Yield" shall mean, as of any date of determination and with respect to any Mortgage Loan, the ratio of (i) the Stabilized Net Operating Income of the Mortgaged Property

related to such Mortgage Loan to (ii) the sum of (A) the Principal Balance of such Mortgage Loan plus (B) the Future Advance Obligations of such Mortgage Loan.

"Stabilized LTV" shall mean, as of any date of determination and with respect to any Mortgage Loan, the ratio of the Principal Balance (including any Future Advance Obligations) of such Mortgage Loan to the value of the related Mortgaged Property once such Mortgaged Property has stabilized, based on the Current Appraisal.

"Stabilized Net Operating Income" shall mean, with respect to any Mortgaged Property or Properties as of any date of determination, the amount of annualized cash flow available for debt service once the related Mortgage Property has stabilized, based on the most recent Appraisal.

"Sub-Performing Mortgage Loan" shall mean any Mortgage Loan, as of any date of determination, (i) with respect to which any scheduled principal or interest payment is more than twenty-nine (29) days contractually delinquent but is not a Defaulted Loan or (ii) that is a Modified Mortgage Loan.

"Successful Bid Process" shall mean any Bid Process that results in a Bid Process Differential Amount greater than $0.

"Sutherland" shall have the meaning specified in the introductory statement.

"Sutherland Trust II" shall have the meaning set forth in the introductory statement.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"TI/LC Tracking Schedule" shall mean a schedule for tracking certain information related to Future Advances, substantially in the form of Exhibit XIV.

"Transaction" shall have the meaning specified in Section 1.

"Transaction Conditions Precedent" shall mean, with respect to each proposed Transaction,

(i) Each Mortgage Loan to be acquired in such Transaction shall be an Eligible Loan;

(ii) Immediately prior to such Transaction, and immediately after giving effect to such Transaction, each Purchased Loan that is an Eligible Loan immediately prior to such Transaction shall continue to be an Eligible Loan;

(iii) Immediately prior to such Transaction, and after giving effect to such Transaction, no portion of the Transaction shall relate to Mortgage Loans in excess of the Concentration Limits;

(iv) With respect to any New Collateral, proposed funds to be advanced shall be no less than $250,000;

(v) Immediately after giving effect to such Transaction, the excess of the Maximum Amount over the Aggregate Repurchase Price shall not be less than the aggregate Future Advance Obligations for all Purchased Loans;

(vi) Immediately prior to such Transaction, and after giving effect to such Transaction, the Aggregate Repurchase Price shall be no greater than the Maximum Amount;

(vii) Immediately prior to such Transaction, and immediately after giving effect to such Transaction, no Default or Event of Default shall exist and be continuing;

(viii) Immediately prior to such Transaction, and immediately after giving effect to such Transaction, no Margin Deficit shall exist and be continuing;

(ix) Immediately prior to such Transaction, and immediately after giving effect to such Transaction, no Servicer Termination Event shall exist and be continuing, and no notice of removal or resignation of any Servicer shall have been given;

(x) The applicable Seller shall have delivered a Funding Certification in accordance with the provisions of Section 3(a);

(xi) The applicable Seller shall have delivered an Available Amount Certificate in accordance with the provisions of Section 3(a);

(xii) With respect to each Mortgage Loan to be acquired in such Transaction, the Buyer shall have completed its Mortgage Loan Pre-Funding Diligence;

(xiii) With respect to each Additional Advance to be made in connection with such Transaction, the Buyer shall have completed its Additional Advance Pre-Funding Diligence;

(xiv) The Buyer shall have determined, in its commercially reasonable discretion, that the Funding Certification delivered by the applicable Seller is true and correct in all material respects;

(xv) The Loan File for the related Mortgage Loan shall have been delivered to the Custodian;

(xvi) No Regulatory Event shall exist and be continuing;

(xvii) No Material Adverse Event shall have occurred;

(xviii) With respect to each Additional Advance to be made in connection with such Transaction, proposed funds to be advanced shall be no less than $50,000;

(xix) The Funding Compliant Ratio has been satisfied;

(xx) No Act of Insolvency shall have occurred with respect to any Seller Party;

(xxi) If required by Buyer in its sole and absolute discretion, the applicable Seller shall have entered into an Approved Hedging Transaction with respect to the related Eligible Loan;

(xxii) The Extension Period is not in effect; and

(xxiii) With respect to each Purchased Loan that (i) has a Principal Balance greater than or equal to $5,000,000 (including any Future Advance Obligations) or (ii) is an Investor Bridge Loan with a Stabilized LTV greater than or equal to 60%, Buyer shall have received a confirmation from the Appraisal Review Agent that the Appraisal delivered with respect to such Purchased Loan is reasonable.

provided, however, that any Transaction Condition Precedent may be waived in writing (which written waiver may be in the form of an email) by the Buyer in its sole and absolute discretion.

"Transaction Documents" shall mean, collectively, this Agreement, the Letter Agreement, the Guaranty, the Custodial Agreement, the Controlled Account Agreement, the Paying Agent Side Agreement, all Confirmations executed pursuant to this Agreement in connection with specific Purchased Loans, the Servicing Agreement(s), and any and all other documents and agreements executed and delivered by any Seller and/or Guarantor in connection with this Agreement or any Transactions hereunder, as may be amended, modified and/or restated from time to time.

"Transfer" shall have the meaning specified in Section 10(b).

"Treasury Regulations" shall mean the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations are amended from time to time.

"Trust Receipt" shall mean a trust receipt issued by Custodian to Buyer confirming the Custodian's possession of certain Loan Files which are the property of and held by Custodian for the benefit of Buyer (or any other holder of such trust receipt) or a bailment arrangement with counsel or other third party acceptable to Buyer in its sole discretion.

"Trust Seller" means Sutherland Trust II and each other Seller organized as a Delaware statutory trust.

"Truth in Lending Act" shall mean the Truth in Lending Act of 1968, 15 U.S.C. §§1601 et seq.

"UCC" shall have the meaning specified in Section 6 of this Agreement.

"Underlying Purchased Loan Reserves" shall mean, with respect to any Purchased Loan, the escrows, reserve funds or other similar amounts properly retained in accounts maintained by the Servicer of such Purchased Loan unless and until such funds are, pursuant to the terms of related Loan Documents, released or otherwise available to the applicable Seller (but not if such

funds are used for the purpose for which they were maintained, or if such funds are released to the related Mortgagor in accordance with the relevant loan documents).

"Underwriting Criteria" shall mean the Credit and Collection Guidelines used by the Originator in originating commercial mortgage loans, as in effect as of the Closing Date and attached hereto as Exhibit XI, which underwriting criteria may be modified from time to time solely with the consent of the Buyer (such consent not to be unreasonably withheld or delayed).

"Valuation Agent" shall mean Raymond James Financial, Inc., or such other valuation agent mutually agreed to by the Buyer and the Sellers.

"Valuation Agent Agreement" shall mean that certain Valuation Agent Agreement, to be dated on or about December 19, 2014 by and among the Sellers and the Valuation Agent, in form and substance reasonably satisfactory to the Buyer, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Valuation Agent Differential Amount" shall mean, as of any date of determination, with respect to any Purchased Loan, an amount equal to the excess, if any, of the fair market value of such Purchased Loan as determined by the Valuation Agent over the Market Value of such Purchased Loan as determined by Buyer.

"Verification Agent" shall mean TDRE Consultants, LLC, or such other third-party diligence provider designated by the Buyer from time to time.

"Weighted Average As-Is Debt Service Coverage Ratio" shall mean, as of any date of determination, the sum for each Purchased Loan of (i) the product of (A) the As-Is Debt Service Coverage Ratio of such Purchased Loan multiplied by (B) the Principal Balance of such Purchased Loan divided by (ii) the aggregate Principal Balance for all Purchased Loans.

"Weighted Average As-Is Debt Yield" shall mean, as of any date of determination, the sum for each Purchased Loan of (i) the product of (A) the As-Is Debt Yield of such Purchased Loan multiplied by (B) the Principal Balance of such Purchased Loan divided by (ii) the aggregate Principal Balance for all Purchased Loans.

"Weighted Average LTV" shall mean, as of any date of determination, the sum for each Purchased Loan of (i) the product of (A) the LTV of such Purchased Loan multiplied by (B) the Principal Balance of such Purchased Loan divided by (ii) the aggregate Principal Balance for all Purchased Loans.

"Weighted Average Stabilized Debt Service Coverage Ratio" shall mean, as of any date of determination, the sum for each Purchased Loan of (i) the product of (A) the Stabilized Debt Service Coverage Ratio of such Purchased Loan multiplied by (B) the sum of (x) the Principal Balance of such Purchased Loan plus (y) the Future Advance Obligations for such Purchased Loan divided by (ii) the sum of (a) the aggregate Principal Balance for all Purchased Loans plus (b) the aggregate Future Advance Obligations for all Purchased Loans.

"Weighted Average Stabilized Debt Yield" shall mean, as of any date of determination, the sum for each Purchased Loan of (i) the product of (A) the Stabilized Debt Yield of such Purchased

Loan multiplied by (B) the sum of (x) the Principal Balance of such Purchased Loan plus (y) the Future Advance Obligations for such Purchased Loan divided by (ii) the sum of (a) the aggregate Principal Balance for all Purchased Loans plus (b) the aggregate Future Advance Obligations for all Purchased Loans.

(b) Under this Agreement, all accounting terms not specifically defined herein shall be construed in accordance with GAAP and all accounting determinations made and all financial statements prepared hereunder shall be made and prepared in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole, including the exhibits and schedules hereto, as the same may from time to time be amended or supplemented and not to any particular paragraph, section, subsection, or clause contained in this Agreement. Each of the definitions set forth in Section 2 hereof shall be equally applicable to both the singular and plural forms of the defined terms. Unless specifically stated otherwise, all references herein to any agreements, documents or instruments shall be references to the same as amended, restated, supplemented or otherwise modified from time to time.

3. INITIATION; CONFIRMATION; TERMINATION; FEES; EXTENSION

(a) Subject to the terms and conditions set forth in this Agreement (including, without limitation, the satisfaction of the Transaction Conditions Precedent set forth herein), Buyer agrees to consider entering into Transactions from time to time pursuant to written request at the initiation of a Seller as provided in this Agreement. No later than 4:00 p.m. (New York City time) no less than the Required Number of Days prior to the requested Purchase Date, the applicable Seller shall deliver to the Buyer (i) a certification (each, a "Funding Certification", substantially in the form specified in Exhibit XV hereto) containing a list of each Transaction Condition Precedent (other than the conditions set forth in clauses (xii) through (xiv) of the definition of "Transaction Condition Precedents") and presenting a yes or no answer beside each such Transaction Condition Precedent indicating whether such Transaction Condition Precedent will be satisfied on such requested Purchase Date and specifying the Purchase Price to be funded on such requested Purchase Date, (ii) a report (each, an "Available Amount Certificate", substantially in the form specified in Exhibit XVI hereto), which report may be in electronic form and (iii) a proposed Confirmation to be entered into with respect to the related Transaction. Buyer shall have the right to review all Eligible Loans proposed to be sold to Buyer in any Transaction and to conduct its own due diligence investigation of such Eligible Loans as Buyer determines in accordance with Section 27. In addition, Buyer shall not be required to enter into any Transaction if an Event of Default has occurred and is continuing with respect to any Transaction Documents.

(b) Upon agreeing to enter into a Transaction hereunder, provided each of the Transaction Conditions Precedent shall have been satisfied or waived, as determined by Buyer in its sole and absolute discretion, Buyer shall promptly deliver to the applicable Seller a written confirmation (which shall also be in electronic form) in the form of Exhibit I attached hereto of each Transaction (a "Confirmation"). Such Confirmation shall describe each Purchased Loan to be included in such Transaction, shall identify Buyer and the related Seller, and shall set forth:

(i) the Purchase Date,

(ii) the Principal Balance,

(iii) the Purchase Date Market Value,

(iv) Purchase Date Market Value Percentage,

(v) the Actual Original Purchase Percentage,

(vi) the Base Maximum Original Purchase Percentage,

(vii) the Maximum Original Purchase Percentage,

(viii) the Purchase Price,

(ix) the Repurchase Date,

(x) the initial Pricing Rate (including the Applicable Spread) applicable to the Transaction, and

(xi) any additional terms or conditions required by Buyer in connection with the Transaction.

With respect to any Transaction, the Pricing Rate shall be determined initially on the Pricing Rate Determination Date applicable to the first Pricing Rate Period for such Transaction, and shall be reset on each Pricing Rate Determination Date for the next succeeding Pricing Rate Periods for such Transaction. Buyer or its agent shall determine the Pricing Rate on each Pricing Rate Determination Date for the related Pricing Rate Period and notify the applicable Seller of such rate for such period on such Pricing Rate Determination Date.

(c) Each Confirmation shall be mutually agreed upon between the applicable Seller and Buyer and, together with this Agreement, shall be conclusive evidence of the terms of the Transactions covered thereby. In the event of any conflict between the terms of such Confirmation and the terms of this Agreement, the Confirmation shall prevail.

(d) Except upon the occurrence and during the continuance of an Event of Default, each Seller shall be entitled to terminate any Transaction relating to a Purchased Loan on demand, in whole or in part, and repurchase any or all of the Purchased Loans subject to such Transaction (each an "Early Repurchase") on any Business Day prior to the Repurchase Date therefor (an "Early Repurchase Date"); *provided,* however, that:

(A) such Seller notifies Buyer in writing of its intent to terminate such Transaction and repurchase such Purchased Loan(s) no later than five (5) Business Days prior to such Early Repurchase Date; and

(B) on such Early Repurchase Date, such Seller pays to Buyer an amount equal to the sum of the Repurchase Price for such Transaction, and any other amounts payable under this Agreement (including, without limitation, any amounts payable under Section 3(h) of this Agreement) with respect to such

Transaction against transfer to such Seller or its agent of such Purchased Loan(s); and

(C) on such Early Repurchase Date, such Seller shall have paid any and all amounts then due and payable to Buyer.

(e) On the applicable Repurchase Date for any Transaction, termination of such Transaction will be effected by transfer to the applicable Seller or its agent of the applicable Purchased Loan(s) and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of the applicable Seller pursuant to Section 5 of this Agreement) against the simultaneous transfer of the Repurchase Price for such Transaction to an account of Buyer. Immediately following such payment, Buyer shall be deemed to have released all of its direct and indirect interests in such Purchased Loan, without further action by any Person and Buyer shall direct Custodian to release the related Loan File to the applicable Seller or its designee pursuant to the Custodial Agreement. Notwithstanding anything to the contrary contained herein or in any other Transaction Document, Buyer shall not release any of its right, title or interest in any Purchased Loan unless and until the applicable Seller has irrevocably paid in full the Repurchase Price for each Purchased Loan and satisfied all of the Repurchase Obligations hereunder, whereupon Buyer shall promptly direct Custodian to return the original Loan Files and all applicable transfer documents to the applicable Seller.

(f) If prior to the first day of any Pricing Rate Period with respect to the Transaction, (i) Buyer shall have reasonably determined (which determination shall be conclusive and binding upon each Seller) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining LIBOR for such Pricing Rate Period, or (ii) LIBOR determined or to be determined for such Pricing Rate Period will not adequately and fairly reflect the cost to Buyer (as determined and certified by Buyer) of making or maintaining Transactions during such Pricing Rate Period, and Buyer has made the same determination for all similarly situated mortgage loan repo clients, Buyer shall give telecopy, e-mail or telephonic notice thereof to each Seller as soon as practicable thereafter. If such notice is given, the Pricing Rate with respect to such Transaction for such Pricing Rate Period, and for any subsequent Pricing Rate Periods until such notice has been withdrawn by Buyer, shall be a per annum rate equal to (i) the Federal Funds Rate plus (ii) 0.25% plus (iii) the Applicable Spread (the "Alternative Rate").

(i) Notwithstanding anything to the contrary contained in this Agreement, if the Buyer determines (which determination shall be final and conclusive, absent manifest error) that either (i) (A) the circumstances set forth in this Section 3(f) above have arisen with respect to Buyer and are unlikely to be temporary, or (B) such circumstances have not arisen but the applicable supervisor or administrator of LIBOR has made a public statement to the effect that it has ceased, or has identified the specific date after which it will cease, to provide LIBOR; *provided* that at such time there is no successor supervisor or administrator that will continue to provide LIBOR, or (ii) repurchase facilities similar to this Agreement that include language similar to this Section 3(f) are being amended to incorporate or adopt a new benchmark interest rate to replace LIBOR (any such date, a "LIBOR Termination Date"), then Buyer shall promptly notify the Seller.

Thereafter, the Buyer and the Seller may choose a replacement index for LIBOR and make adjustments to applicable margins and related amendments to this Agreement as referred to below such that, to the extent practicable, the Price Differential payable by the Sellers based on the replacement index will be substantially equivalent to the Price Differential that would be payable based on LIBOR in effect prior to the event giving rise to the LIBOR Termination Date.

(ii) Any such amendment shall, among other things, identify the replacement index, the adjusted margins and such other related amendments to this Agreement as may be necessary or appropriate, in the reasonable discretion of the Buyer (in consultation with the Sellers), for the implementation and administration of the replacement index-based rate in a manner substantially consistent with prevailing market practice.

(iii) Selection of the replacement index, adjustments to the applicable margins, and other amendments to this Agreement (i) will be determined with due consideration to the then-current market practices for determining and implementing such a replacement index and related adjustments or any selection, endorsement or recommendation by any applicable Governmental Authority or official body, and (ii) may also reflect adjustments to account for (A) the effects of the transition from LIBOR to the replacement index and (B) yield- or risk-based differences between LIBOR and the replacement index.

(iv) Following the occurrence of the LIBOR Termination Date, any then- outstanding Transaction for which Price Differential is determined by reference to LIBOR will continue to accrue Price Differential by reference to LIBOR, *provided,* however, that following the expiration of the Pricing Rate Period related to any such then-outstanding Transaction, all Transactions for which Price Differential would otherwise be determined by reference to LIBOR shall automatically begin accruing Price Differential by reference to the Alternative Rate until such time as an amendment reflecting a replacement index and related matters as described above is implemented, at which time all Transactions for which Price Differential is being determined by reference to the Alternative Rate shall automatically begin accruing Price Differential by reference to the replacement index.

(v) Notwithstanding anything to the contrary contained herein, if at any time the replacement index, together with any related yield or risk-based adjustment, is less than zero, such index, together with such adjustments, shall be deemed to be zero for purposes of this Agreement.

(g) Notwithstanding any other provision herein, if Buyer shall have reasonably determined that the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for Buyer to effect or continue Transactions as contemplated by the Transaction Documents, and Buyer has made the same determination for all

similarly situated mortgage loan repo clients, (a) the commitment of Buyer hereunder to enter into new Transactions and to continue Transactions as such shall forthwith be canceled, and (b) the Transactions then outstanding shall be converted automatically to Alternative Rate Transactions on the last day of the then current Pricing Rate Period or within such earlier period as may be required by law. If any such conversion of a Transaction occurs on a day which is not the last day of the then current Pricing Rate Period with respect to such Transaction, the applicable Seller shall pay to Buyer such amounts, if any, as may be required pursuant to Section 3(h) of this Agreement

(h) Upon demand by Buyer, a Seller shall indemnify Buyer and hold Buyer harmless from any net actual, out of pocket loss or expense (not to include any lost profit or opportunity) (including, without limitation, reasonable actual attorneys' fees and disbursements) which Buyer may sustain or incur as a consequence of (i) default by such Seller in terminating any Transaction after such Seller has given a notice in accordance with Section 3(d) of a termination of a Transaction, (ii) any payment of all or any portion of the Repurchase Price for any Purchased Loan on any day other than a Remittance Date or the Repurchase Date for such Purchased Loan (including, without limitation, any actual out of pocket loss, cost or expense arising from reemployment of funds obtained by Buyer to maintain Transactions hereunder or from customary and reasonable fees payable to terminate deposits from which such funds were obtained) or (iii) conversion of the Transaction to an Alternative Rate Transaction pursuant to Section 3(f) of this Agreement on a day which is not the last day of the then current Pricing Rate Period. A certificate as to such actual costs, losses, damages and expenses, setting forth the calculations therefor shall be submitted promptly by Buyer to such Seller and shall be prima facie evidence of the information set forth therein.

(i) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by any Governmental Authority or compliance by Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority having jurisdiction over Buyer made subsequent to the date hereof (any of the foregoing, a "Change in Law"):

(i) shall subject the Buyer to any tax of any kind whatsoever with respect to the Transaction Documents (excluding income taxes, branch profits taxes, franchise taxes or similar taxes imposed on the Buyer as a result of any present or former connection between the Buyer and the United States, other than any such connection arising solely from the Buyer having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement) or change the basis of taxation of payments to Buyer in respect thereof; shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, or other extensions of credit by, or any other acquisition of funds by, any office of the Buyer which is not otherwise included in the determination of LIBOR hereunder; or

(ii) shall impose on Buyer any other condition;

and the result of any of the foregoing is to increase the cost to Buyer, by an amount which Buyer deems to be material, of continuing to perform its obligations hereunder or to reduce any amount due or owing hereunder in respect thereof, or (in the case of any change in a Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by Buyer or any Person controlling Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof) shall have the effect of reducing the rate of return on Buyer's or such controlling Person's capital as a consequence of its obligations as under the Transaction Documents to a level below that which Buyer or such controlling Person could have achieved but for such adoption, change or compliance (taking into consideration Buyer's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by Buyer to be material, then, in any such case, Buyer may, within thirty (30) days of the event resulting in such increased costs or reduced amount, invoice the Sellers for such additional amount or amounts as calculated by Buyer in good faith as will compensate Buyer for such increased cost or reduced amount and include with such invoice an explanation of the event that gave rise to such increased costs or reduced amount, and such invoiced amount shall be payable to Buyer on the Remittance Date following such invoice; *provided,* that no payment will be required hereunder in respect of any tax that is imposed under FATCA; *provided,* further, that Buyer shall use its reasonable efforts to minimize any increased costs payable pursuant to this Section 3.(i).

(j) If Buyer shall have reasonably determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by Buyer or any corporation controlling Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of increasing the amount of capital to be held by Buyer in respect of any Transaction hereunder or reducing the rate of return on Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which Buyer or such corporation could have achieved but for such adoption, change or compliance (taking into consideration Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by Buyer, in the exercise of its reasonable business judgment, to be material, and Buyer has made the same determination for all similarly situated mortgage loan repo clients, then from time to time, after submission by Buyer to the applicable Seller of a written request therefor, the applicable Seller shall pay to Buyer such additional amount or amounts as will compensate Buyer for such reduction. Such notification as to the calculation of any additional amounts payable pursuant to this subsection shall be submitted by Buyer to the applicable Seller and shall be prima facie evidence of such additional amounts. This covenant shall survive the termination of this Agreement and the repurchase by Sellers of any or all of the Purchased Loan.

(k) Any Seller shall have the right at any time, upon one (1) Business Day prior notice to Buyer, to transfer cash to Buyer for the purpose of reducing the Repurchase Price of, but not terminating, any Transaction.

(l) Upon the occurrence of a Mandatory Early Repurchase Event with respect to any Purchased Loan, Buyer may, upon written notice to the applicable Seller, accelerate the Repurchase Date of such Purchased Loan to the date (the "Mandatory Early Repurchase Date") which is two (2) Business Days following such notice, *provided* that such notice is sent by 6:00 p.m. (New York City time), or three (3) Business Days following such notice if such notice is sent

after 6:00 p.m. (New York City time) (or such earlier date as may be required pursuant to the last sentence of this Section 3(l)), and require that the applicable Seller repurchase such Purchased Loan from Buyer on such Mandatory Early Repurchase Date (a "Mandatory Early Repurchase"), which repurchase or release by the applicable Seller shall be conducted pursuant to and in accordance with clauses (ii) and (iii) of Section 3(d) and Section 3(e).

(m) If Buyer shall exercise its rights under Sections 3(f), 3(g), 3(i) or 3(j), then Sellers shall have the right, at any time thereafter (unless Buyer has at such time waived any claims pursuant to such Sections or such Sections no longer apply) to terminate this Agreement or all Transactions hereunder and, in connection with any such termination, notwithstanding anything to the contrary contained herein or in any other Transaction Document, there shall be no prepayment fee, premium, breakage fee or similar payment due to Buyer or payable by Sellers.

(n) Except upon the occurrence and during the continuance of an Event of Default, following receipt of a Margin Notice, each Seller may, upon prior written notice to the Buyer, make a partial prepayment (an "Early Partial Repurchase Payment") of the Repurchase Price with respect to any Purchased Loan in an amount up to the Margin Deficit specified on the most recent Margin Notice with respect to such Purchased Loan.

(o) [Intentionally Omitted].

(p) In the event that, after the initial Purchase Date for a Purchased Loan, (i) the applicable Seller (or the applicable Servicer on behalf of such Seller) approves a Future Advance with respect to such Purchased Loan or (ii) the Buyer, in its sole discretion, shall determine that a Market Value Percentage Increase shall have occurred with respect to such Purchased Loan, then Buyer shall recalculate the Repurchase Price Cap for such Purchased Loan (after giving effect to such Future Advance or Market Value Percentage Increase, as applicable). If the Repurchase Price Cap for such Purchased Loan, as so recalculated, shall exceed the outstanding Repurchase Price for such Purchased Loan (the amount by which such revised Repurchase Price Cap exceeds such outstanding Repurchase Price, the "Additional Advance Available Amount"), then upon the applicable Seller's written request and *provided* that (i) no Default or Event of Default shall exist as of the date of such request and as of the date of funding of the Additional Advance, (ii) the Aggregate Repurchase Price immediately after the making of such Additional Advance does not exceed the Maximum Amount and (iii) the applicable Transaction Conditions Precedent shall have been satisfied or waived with respect to the making of such Additional Advance, Buyer shall make an additional advance (an "Additional Advance") to the applicable Seller on the date (the "Additional Advance Date") that is two (2) Business Days after Buyer's receipt of the applicable Seller's written request therefor in an amount up to the Additional Advance Available Amount and such Additional Advance shall be added to the Repurchase Price of such Purchased Loan; *provided,* however, that (unless otherwise agreed by the Buyer) the Additional Advance Available Amount with respect to any Additional Advance made in connection with a Market Value Percentage Increase shall not exceed the amount of any Early Partial Repurchase Payment made by the Sellers to cure a Margin Deficit. The applicable Seller and Buyer shall execute and deliver an amended Confirmation for such Purchased Loan as of the Additional Advance Date reflecting the increase of the Maximum Original Purchase Percentage for such Purchased Loan and the increase of the Repurchase Price of such Purchased Loan for such Additional Advance. It is acknowledged and agreed that, notwithstanding the foregoing or anything to the contrary contained

herein, Buyer shall have no obligation to make Future Advances with respect to any Purchased Loan.

4. **MARGIN MAINTENANCE**

(a) Buyer shall determine the Repurchase Price Cap of each Purchased Loan on each Business Day and shall determine (i) the amount, if any, by which the Repurchase Price Cap is less than the Repurchase Price (excluding Price Differential and Exit Fees) for each Purchased Loan (a "Margin Deficit") and (ii) the amount, if any, by which the Repurchase Price Cap is greater than the Repurchase Price (excluding Price Differential and Exit Fees) for each Purchased Loan ("Margin Excess").

(b) If at any time a Margin Deficit exists with respect to a Purchased Loan, then Buyer may by notice (which notice shall include a copy sent by electronic mail in accordance with Section 16 hereof) (a "Margin Notice") to the applicable Seller, with a copy to the Depository, require the applicable Seller to either (x) transfer to Depository for deposit into the Margin Account Eligible Margin Collateral in the amount of the Margin Deficit for such Purchased Loan or (y) make an Early Partial Repurchase Payment with respect to such Purchased Loan in an amount equal to the Margin Deficit for such Purchased Loan in accordance with Section 3(n), in each case, by no later than the date ("Margin Payment Date") that is (i) if notified by the Buyer before 11:00 AM EST on a Business Day, then by 5:00 PM EST the next Business Day or (ii) if notified by the Buyer on or after 11:00 AM EST on a Business Day, then by 5:00 PM the second following Business Day. Notwithstanding the foregoing, if SAMC or any of its subsidiaries shall enter into any Other Financing Agreement containing a margin call period shorter than provided under this Section 4(b), then Buyer may, in its sole and absolute discretion, amend the Margin Payment Date under this Section 4(b) to reflect such provisions under such Other Financing Agreement. Any Seller's failure to cure any Margin Deficit as required by this paragraph shall constitute an Event of Default.

(c) [Intentionally omitted]

(d) The failure of, or delay by, Buyer on any one or more occasions, to exercise its rights under Sections 4(b) of this Agreement shall not (i) change or alter the terms and conditions to which this Agreement is subject, (ii) limit the right of Buyer to do so at a later date, (iii) limit Buyer's rights under this Agreement or otherwise existing by law, or (iv) in any way create additional rights for such party.

(e) If a Seller transfers cash to Buyer on account of Margin Deficits relating to more than one Purchased Loan, but such cash is insufficient to fully satisfy such Margin Deficits, Buyer shall have the right to designate the Purchased Loan(s) and Margin Deficit(s) to which such payments shall be applied, in its sole and absolute discretion.

(f) If at any time (a) a Margin Excess in an aggregate amount equal to at least $250,000 exists and (b) a Seller shall have previously cured a Margin Deficit pursuant to clause (x) of Section 4(b), Buyer shall, upon notice from the applicable Seller, remit to such Seller an amount equal to the lesser of (i) the Margin Excess and (ii) the amount transferred by the applicable Seller to the Buyer in order to cure a Margin Deficit pursuant to clause (x) of Section 4(b); *provided,* however,

that Buyer shall not be required to remit any amount to any Seller if, after giving effect to such remittance, (i) a Margin Deficit shall exist or (ii) a Default or Event of Default shall exist. If a Seller has previously cured a Margin Deficit pursuant to clause (y) of Section 4(b), such Seller may request an Additional Advance in accordance with Section 3(p).

(g) Notwithstanding anything contained in Section 16 to the contrary, Margin Notices may be delivered by Buyer via email to finance@waterfallam.com and to such other email address(es) hereinafter provided by Sellers to Buyer for this purpose, without the need to also deliver such notice by any of the other means set forth in Section 16, and shall be deemed received upon the sending of such email; *provided* that the transmitting party did not receive an electronic notice of a delivery failure.

(h) If (i) a Seller has cured a Margin Deficit pursuant to Section 4(b), (ii) the Valuation Agent Differential Amount is equal to at least 5% of the aggregate Eligible Loan Amount and (iii) the Valuation Agent has been appointed pursuant to the terms of the Valuation Agent Agreement, then Sellers shall have the right to dispute Buyer's calculation of the aggregate Market Value of the Purchased Loans. In the event of such a dispute, the aggregate Market Value of the Purchased Loans shall be determined in the following manner (the "Bid Process"): the Valuation Agent shall solicit a minimum of three (3) legitimate, arm's length, impartial and executable bids for the Purchased Loans. The Market Value of the Purchased Loans shall be equal to the average of the bid side quotes. If the Valuation Agent is unable to obtain three (3) legitimate bids as described above, but is able to obtain two (2) such bids, the Market Value of the Purchased Loans shall be equal to the lower of the bid side quotes on the basis of such two (2) bids. If the Valuation Agent is unable to obtain at least two (2) legitimate bids as described above, or if Buyer does not agree, in its reasonable discretion, that the bids obtained are legitimate, arm's length, impartial and executable, the aggregate Market Value of the Purchased Loans shall be equal to the aggregate Market Value determined by Buyer. Sellers shall be responsible for payment of all fees, costs and expenses payable to the Valuation Agent in connection with any Bid Process.

(i) Notwithstanding anything to the contrary herein, if the Bid Process Limit shall have been met, Sellers shall be prohibited from undertaking additional Bid Processes to determine the Market Value of the Purchased Loans and the Market Value of the Purchased Loans shall be determined solely by Buyer.

(j) If the Bid Process for any Purchased Loan is a Successful Bid Process, Buyer, upon notice (which notice may be delivered via email) from the applicable Seller, shall remit to such Seller an amount equal to the lesser of (i) the Bid Process Differential Amount and (ii) the Margin Deficit amount transferred by the applicable Seller to Buyer with respect to such Purchased Loan pursuant to Section 4(b); *provided*, however, that Buyer shall not remit any amount to any Seller if, after giving effect to such remittance, (i) a Margin Deficit shall exist or (ii) a Default or Event of Default shall exist.

5. INCOME PAYMENTS AND PRINCIPAL PAYMENTS

(a) On each Remittance Date, each Seller shall be obligated to pay to Buyer (to the extent not paid on such date through the distributions required pursuant to Sections 5(c), (d) and (e) hereof) the accrued but unpaid Price Differential for each Transaction due as of such

Remittance Date (along with any other amounts then due and payable), by wire transfer in immediately available funds. A Cash Management Account shall be established by Sellers at the Depository. Buyer shall have sole dominion and control over the Cash Management Account. All Available Income in respect of the Purchased Loans shall be deposited by the Sellers or the applicable Servicer directly into the Cash Management Account without any further action of Buyer. All such amounts transferred into the Cash Management Account shall be remitted by the Depository in accordance with the applicable provisions of Sections 5(c), 5(d), 5(e) and 13(b)(iii) of this Agreement.

(b) Each Seller shall cause the Servicer of each Purchased Loan to enter into a Servicer Notice and Agreement in the form attached as Exhibit IX to this Agreement, which provides, *inter alia,* that the Servicer shall deposit all Available Income with respect to such Purchased Loan that is received by Servicer into the Cash Management Account. If a Servicer forwards any Available Income with respect to a Purchased Loan to any Seller or any of their respective Affiliates rather than directly to the Cash Management Account, such Seller shall (or shall cause such Affiliate to) (i) redeliver an executed copy of the Servicer Notice and Agreement to the applicable Servicer, and make other commercially reasonable efforts to cause such Servicer to forward such amounts directly to the Cash Management Account, (ii) hold such amounts in trust for the benefit of Buyer and (iii) within two (2) Business Days after receipt thereof deposit in the Cash Management Account any such amounts.

(c) So long as no Event of Default shall have occurred and be continuing, all Available Income received by the Depository in respect of the Purchased Loans (other than Principal Payments and net sale proceeds) during each Collection Period shall be applied by the Depository on the related Remittance Date in the following order of priority:

(i) *first*, to remit, in each case without duplication, to (a) the Custodian an amount equal to any accrued and unpaid custodial fees and expenses due and payable under the Custodial Agreement, (b) the Depository an amount equal to any accrued and unpaid fees and expenses due and payable under the Controlled Account Agreement and (c) the Paying Agent an amount equal to the Paying Agent Fee and any other accrued and unpaid fees and expenses due and payable hereunder or under the Paying Agent Side Agreement;

(ii) *second*, to remit to the Valuation Agent (a) the amount of any "VA Fee" (as defined in the Valuation Agent Agreement) due to the Valuation Agent pursuant to the Valuation Agent Agreement for the related Collection Period and (b) the amount of any other unpaid fees and expenses due or reimbursable to the Valuation Agent under the Valuation Agent Agreement (including indemnification amounts);

(iii) *third,* to remit to Buyer an amount equal to the aggregate Price Differential which has accrued and is outstanding in respect of all of the Purchased Loans as of such Remittance Date;

(iv) *fourth*, to make a payment to Buyer on account of any Margin Deficit;

(v) *fifth,* to remit to Buyer any Availability Fee then due and any other unpaid fees, costs, expenses, indemnity amounts and any and all other amounts due from Sellers under this Agreement or the other Transaction Documents; and

(vi) *sixth*, to remit to the applicable Seller the remainder, if any.

(d) So long as no Event of Default shall have occurred and be continuing, (A) any unscheduled Principal Payment (including net sale proceeds) in respect of a Purchased Loan which is a portion of the Available Income received by the Depository during each Collection Period shall be applied by the Depository on the Business Day following the day on which such funds are deposited in the Cash Management Account and (B) any scheduled Principal Payment shall be applied by the Depository on the related Remittance Date in the following order of priority:

(i) *first*, to remit to (a) the Custodian an amount equal to any accrued and unpaid custodial fees and expenses due and payable under the Custodial Agreement, (b) the Depository an amount equal to any accrued and unpaid fees and expenses due and payable under the Controlled Account Agreement and (c) the Paying Agent an amount equal to the Paying Agent Fee and any other accrued and unpaid fees and expenses due and payable hereunder or under the Paying Agent Side Agreement (in each case, to the extent not paid pursuant to Section 5(c)(i) above);

(ii) *second*, to remit to the Valuation Agent (a) the amount of any "VA Fee" (as defined in the Valuation Agent Agreement) due to the Valuation Agent pursuant to the Valuation Agent Agreement for the related Collection Period and (b) the amount of any other unpaid fees and expenses due or reimbursable to the Valuation Agent under the Valuation Agent Agreement (including indemnification amounts) (in each case, to the extent not paid pursuant to Section 5(c)(ii) above);

(iii) *third,* to remit to Buyer an amount equal to the aggregate Price Differential which has accrued and is outstanding in respect of all of the Purchased Loans as of such Remittance Date (to the extent not paid pursuant to Section 5(c)(iii) above);

(iv) *fourth*, to make a payment to Buyer on account of any Margin Deficit (to the extent not paid pursuant to Section 5(c)(iv) above);

(v) *fifth,* to remit to Buyer any Availability Fee then due and any other unpaid fees, costs, expenses, indemnity amounts and any and all other amounts due from Sellers under this Agreement or the other Transaction Documents (to the extent not paid pursuant to Section 5(c) (v) above);

(vi) *sixth,* to make a payment to Buyer on account of the Repurchase Price of each of the Purchased Loans in respect of which such Principal Payment(s) have been received, in an amount equal to such Principal Payment(s) multiplied by the respective Allocable Percentages applicable thereto; and

(vii) *seventh*, to remit to the applicable Seller the remainder of such Principal Payment or net sale proceeds.

(e) During the Extension Period, or if an Event of Default shall have occurred and be continuing, all Available Income (including Principal Payments and net sales proceeds from the sale of any Purchased Loan) received by Buyer or the Depository in respect of the Purchased Loans during each Collection Period shall be applied by Buyer or the Depository on the Business Day following the day on which such funds are deposited in the Cash Management Account as follows:

(i) *first*, to remit, in each case without duplication, to (a) the Custodian in an amount equal to any accrued and unpaid custodial fees and expenses due and payable under the Custodial Agreement, (b) the Depository in an amount equal to any accrued and unpaid fees and expenses due and payable under the Controlled Account Agreement and (c) the Paying Agent an amount equal to the Paying Agent Fee and any other accrued and unpaid fees and expenses due and payable hereunder or under the Paying Agent Side Agreement;

(ii) *second*, to remit to the Valuation Agent (a) the amount of any "VA Fee" (as defined in the Valuation Agent Agreement) due to the Valuation Agent pursuant to the Valuation Agent Agreement for the related Collection Period and (b) the amount of any other unpaid fees and expenses due or reimbursable to the Valuation Agent under the Valuation Agent Agreement (including indemnification amounts);

(iii) *third*, to remit to Buyer an amount equal to the aggregate Price Differential which has accrued and is outstanding in respect of all of the Purchased Loans as of such Business Day;

(iv) *fourth*, to make a payment to Buyer in an amount equal to (A) the Repurchase Price of each of the Purchased Loans until the Repurchase Price for each of such Purchased Loans has been reduced to zero (Buyer may allocate amounts under this Section 5(e)(iv) to the Repurchase Price(s) of one or more of such Purchased Loans in such amounts as Buyer may determine in its sole and absolute discretion);

(v) *fifth*, to remit to Buyer any Availability Fee then due and any other unpaid fees, costs, expenses, indemnity amounts and any and all other amounts due from Sellers under this Agreement or the other Transaction Documents; and

(vi) *sixth*, to remit to the applicable Seller the remainder, if any.

(f) All Underlying Purchased Loan Reserves for any Purchased Loan must be held with the applicable Servicer in accordance with Section 28 in segregated accounts held for the benefit of Sellers or otherwise subject to control agreements approved by the Buyer. In the event that no Servicer holds any such Underlying Purchased Loan Reserves for a Purchased Loan and the applicable Seller would otherwise hold the Underlying Purchased Loan Reserves directly, it

shall forward such Underlying Purchased Loan Reserves to the Reserve Account to be held and applied in accordance with the applicable Loan Documents.

6. **SECURITY INTEREST**

Buyer and Sellers intend, for all purposes other than those described in Section 22(e), that all Transactions hereunder be sales to Buyer of the Purchased Loans and not loans from Buyer to Sellers secured by the Purchased Loans. However, in the event any such Transaction is deemed to be a loan (except in the case of the grant of security interests by Sellers under clause (b) below, which shall be unconditional as of the date hereof), each Seller hereby pledges all of its right, title, and interest in, to and under and grants a lien on, and security interest in (which lien and security interest shall be of first priority), all of its right, title, and interest in the following property, whether now owned or hereafter acquired, now existing or hereafter created and wherever located (collectively, the "Collateral") to Buyer to secure the payment and performance of all other amounts or obligations owing to Buyer pursuant to this Agreement and the other Transaction Documents (the "Repurchase Obligations") (it being understood that the grant of security interest in any items described below which are otherwise sold to Buyer pursuant to any Transaction hereunder is made to secure Buyer's interest therein in the event any such Transaction is deemed to be a loan):

(a) the Purchased Loans, Servicing Agreements, Servicing Records, Servicing Rights, insurance relating to the Purchased Loans, all Hedging Transactions related to the Purchased Loans, and collection and escrow accounts relating to the Purchased Loans;

(b) the Cash Management Account and all monies from time to time on deposit in the Cash Management Account;

(c) all "general intangibles", "accounts" and "chattel paper" as defined in the UCC relating to or constituting any and all of the foregoing; and

(d) all replacements, substitutions or distributions on or proceeds, payments, Income and profits of, and records (but excluding any financial models or other proprietary information) and files relating to any and all of any of the foregoing.

For purposes of the grant of the security interest pursuant to Section 6 of this Agreement, this Agreement shall be deemed to constitute a security agreement under the New York Uniform Commercial Code (the "UCC"). Buyer shall have all of the rights and may exercise all of the remedies of a secured creditor under the UCC and the other laws of the State of New York. In furtherance of the foregoing, (a) each Seller, at such Seller's sole cost and expense, shall cause to be filed in such locations as may be reasonably necessary to perfect and maintain perfection and priority of the security interest granted hereby, UCC financing statements and continuation statements (collectively, the "Filings"), and (b) Sellers shall from time to time take such further actions as may be reasonably requested by Buyer to maintain and continue the perfection and priority of the security interest granted hereby.

Each Seller hereby irrevocably authorizes Buyer at any time and from time to time to file in any filing office in any jurisdiction any initial financing statements and amendments thereto that (1) indicate the Collateral (i) as all Purchased Loans or words of similar effect, regardless of

whether the description of the Purchased Loans in such financing statements includes every component set forth in the definition, or (ii) as being of an equal or lesser scope or with greater detail, and (2) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether such Seller is an organization, the type of organization and any organization identification number issued to such Seller. Each Seller also ratifies its authorization for Buyer to have filed in any jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof. Without limiting the foregoing, each Seller also hereby irrevocably authorizes the Buyer and its counsel to file UCC financing statements in form and substance satisfactory to the Buyer.

Buyer's security interest in a Purchased Loan, or the Collateral as a whole, shall terminate only upon (i) in the case of an individual Purchased Loan, the repurchase or release thereof in accordance with this Agreement and (ii) in the case of the Collateral as a whole, the termination of the applicable Seller's obligations under this Agreement and the documents delivered in connection herewith and therewith. Upon any such termination, Buyer shall authorize the applicable Seller to file such UCC termination statements and other release documents as may be commercially reasonable to evidence the release of Buyer's lien on and security interest in the applicable Purchased Loan, or the Collateral, as applicable and to return the Loan Documents for the Purchased Loan to the applicable Seller.

7. **PAYMENT, TRANSFER AND CUSTODY**

(a) On the Purchase Date for each Transaction, ownership of the Purchased Loans shall be transferred to Buyer or its designee (including the Custodian) against the simultaneous transfer to an account of the applicable Seller, specified in the Confirmation relating to such Transaction of the difference between (i) the Purchase Price for the Purchased Loan(s) minus (ii) any and all fees, costs and expenses including, without limitation, reasonable attorneys' fees and disbursements payable to Buyer pursuant to Section 27 or Section 30(d) in connection with such Transaction.

(b) On or before such Purchase Date, the applicable Seller shall deliver or cause to be delivered to Buyer or its designee the Custodial Delivery in the form attached hereto as Exhibit IV. In connection with each sale, transfer, conveyance and assignment of a Purchased Loan, on or prior to each Purchase Date with respect to such Purchased Loan, the applicable Seller shall deliver or cause to be delivered and released to the Custodian, and shall cause the Custodian to deliver a Trust Receipt on the Purchase Date concerning the receipt of, the following documents (collectively, the "Loan File") pertaining to each of the Purchased Loans identified in the Custodial Delivery delivered therewith; *provided, that* the applicable Seller shall deliver a certificate of an Authorized Representative of such Seller certifying that any copies of documents delivered represent true and correct copies of the originals of such documents:

(A) the original executed Mortgage Note together with any applicable riders, endorsed on its face or by allonge attached thereto, without recourse, in blank and otherwise showing a complete, unbroken chain of endorsement from the initial lender (or, if such original Mortgage Note has been lost, an affidavit to such effect from the applicable Seller or another prior holder and a customary indemnity from the applicable Seller in favor of the Buyer for any costs, losses or damages

arising from the failure to deliver the original Mortgage Note, together with a copy of such Mortgage Note),

(B) the original or (to the extent that such original is retained by the relevant public recording office) a copy of the Mortgage, together with an original or (to the extent that such original is retained by the relevant public recording office) a copy of any intervening assignments of the Mortgage showing a complete chain of assignment from the originator of such Mortgage Loan to the applicable Seller,

(C) the original or (to the extent that such original is retained by the relevant public recording office) a copy of any Assignment of Leases (if such item is a document separate from the Mortgage) and of any intervening assignments of such Assignment of Leases showing a complete chain of assignment from the originator of such Mortgage Loan to the applicable Seller,

(D) an original executed Omnibus Assignment from the applicable Seller in blank and in recordable form (except for missing recording information not yet available if the instrument being assigned has not been returned from the applicable recording office),

(E) an original executed assignment of any Assignment of Leases (if such item is a document separate from the Mortgage) from the applicable Seller in blank and in recordable form (except for missing recording information not yet available if the instrument being assigned has not been returned from the applicable recording office),

(F) originals or (to the extent that such originals are retained by the relevant public recording office) copies of all modification agreements in those instances in which the terms or provisions of the Mortgage have been modified, in each case (unless the particular item has not been returned from the applicable recording office) with evidence of recording indicated thereon if the instrument being modified is a recordable document,

(G) originals of all modification agreements in those instances in which the terms or provisions of the Mortgage Note have been modified,

(H) the original policy or certificate of lender's title insurance issued in connection with the origination of such Mortgage Loan, together with its endorsements or, if such policy has not been issued, an irrevocable, binding commitment (which may be an agreement to provide the same pursuant to binding escrow instructions executed by an authorized representative of the title company) to issue such title insurance policy,

(I) a copy of any ground lease and any ground lessor estoppels,

(J) if such Mortgage Loan contains a Future Advance Obligation, an original of the related loan agreement,

(K) an original of any guaranty of payment under such Mortgage Loan,

(L) an original of any environmental indemnity,

(M) an original copy of any escrow agreements,

(N) copies of any UCC financing statements in favor of the originator of such Mortgage Loan or in favor of any assignee prior to the applicable Seller and UCC-3 assignment financing statements in favor of the applicable Seller, in each case (unless the particular item has not been returned from the applicable filing office), with evidence of filing indicated thereon or certified by the applicable filing office,

(O) UCC-3 assignment financing statements from the applicable Seller in blank,

(P) an original of any subordination agreement or intercreditor agreement,

(Q) if the Mortgage Note or Mortgage was executed pursuant to a power of attorney or other instrument that authorized or empowered such person to sign, an original of such power of attorney or other instrument, and

(R) an original of any property management agreement executed in connection with the related Mortgaged Property.

(c) In addition, with respect to each Purchased Loan, if not expressly required pursuant to the Loan Documents or if the related Mortgagor has not already been instructed to make remittances to the Servicer, the applicable Seller shall deliver an instruction letter from the applicable Seller to the borrower under each Purchased Loan, instructing the borrower to remit all sums required to be remitted to the holder of the Purchased Loan under the related Loan Documents to the Servicer for deposit in the Applicable Servicer Account or to any other restricted account required pursuant to the applicable Loan Documents. If the borrower under any Purchased Loan remits any sums required to be remitted to the holder of such Purchased Loan under the related Loan Documents to any Seller or its Affiliate, such Seller shall, within two (2) Business Days after receipt thereof, (i) remit such sums (other than Underlying Purchased Loan Reserves) to the Depository for deposit in the Cash Management Account as set forth in Section 5 hereof or as otherwise directed in the written notice signed by such Seller and Buyer, and (ii) deliver (or cause Servicer to deliver) an additional instruction letter from such Seller or Servicer, as applicable, to the borrower under the applicable Purchased Loan, instructing the borrower to remit all sums required to be remitted to the holder of the Purchased Loan under the related Loan Documents to the Servicer for deposit in the Applicable Servicer Account or as otherwise directed in a written notice signed by the applicable Seller and Buyer.

(d) From time to time, each Seller shall forward to the Custodian additional original documents or additional copies of documents evidencing any assumption, modification, consolidation or extension of a Purchased Loan approved in accordance with the terms of this Agreement, and upon receipt of any such other documents, the Custodian shall hold such other

documents as Custodian shall request from time to time. With respect to any documents which have been delivered or are being delivered to recording offices for recording and have not been returned to the applicable Seller in time to permit their delivery hereunder at the time required, in lieu of delivering such original documents, such Seller shall deliver to Buyer a true copy thereof with an officer's certificate certifying that such copy is a true, correct and complete copy of the original, which has been transmitted for recordation. The applicable Seller shall deliver such original documents to Buyer or its designee within five (5) Business Days after they are received. With respect to all of the Purchased Loans delivered by a Seller to Buyer or its designee (including the Custodian), the applicable Seller shall execute an omnibus power of attorney substantially in the form of Exhibit V, attached hereto irrevocably appointing Buyer its attorney- in-fact with full power to, during the continuance of an Event of Default, (i) complete and record all Assignments of Mortgage, (ii) complete the endorsements of the Mortgage Notes and (iii) take such other steps as may be reasonably necessary or desirable to enforce Buyer's rights against such Purchased Loans and the related Loan Files and the Servicing Records. Buyer shall deposit the Loan Files representing the Purchased Loans, or direct that the Loan Files be deposited directly, with the Custodian. The Loan Files shall be maintained in accordance with the Custodial Agreement. Any Loan Files not delivered to Buyer or its designee (including the Custodian) are and shall be held in trust by the applicable Seller or their designees for the benefit of Buyer as the owner thereof. Sellers or their designees shall maintain a copy of the Loan File and the originals of the Loan Files not delivered to Buyer or its designee. The possession of the Loan Files by the Sellers or their designees is at the will of Buyer for the sole purpose of servicing the related Purchased Loans, and such retention and possession by the Sellers or their designees is in a custodial capacity only. The books and records (including, without limitation, any computer records or tapes) of the Sellers or their designees with respect to each Purchased Loan shall be marked appropriately to reflect clearly the interest of Buyer hereunder with respect to the related Purchased Loan. Each Seller or its designee (including the Custodian) shall release its custody of the Loan Files only in accordance with written instructions from Buyer and in accordance with the provisions of the Custodial Agreement, unless such release is required as incidental to the servicing of the Purchased Loans is in connection with a repurchase of any Purchased Loan by the applicable Seller or as otherwise required by law.

(e) Unless an Event of Default shall have occurred and be continuing, the applicable Seller shall exercise all voting, consent, corporate and decision-making rights with respect to the Purchased Loans, *provided* that no Seller shall enter into any amendment or modification, or grant any waivers under, any Loan Documents, to the extent any of same constitute a Material Modification, without Buyer's prior written consent thereto, which consent may be given or withheld by Buyer in its sole and absolute discretion. Upon the occurrence and during the continuation of an Event of Default, Buyer shall be entitled to exercise all voting, consent, corporate, and decision-making rights with respect to the Purchased Loans without regard to any Seller Party's instructions.

8. SALE, TRANSFER, HYPOTHECATION OR PLEDGE OF PURCHASED LOANS

(a) Title to all Purchased Loans shall pass to Buyer on the applicable Purchase Date, and Buyer shall have free and unrestricted use of all Purchased Loans, subject, however, to the terms of this Agreement. Subject to Section 18(b), nothing in this Agreement or any other Transaction Document shall preclude Buyer from engaging in repurchase transactions with the

Purchased Loans or otherwise selling, transferring, pledging, repledging, hypothecating, or rehypothecating the Purchased Loans, but no such transaction shall relieve Buyer of its obligations to transfer the Purchased Loans to Sellers pursuant to Section 3 of this Agreement or of Buyer's obligation to credit or pay Available Income to, or apply Available Income to the obligations of, Sellers pursuant to Section 5 hereof.

(b) Nothing contained in this Agreement or any other Transaction Document shall obligate Buyer to segregate any Purchased Loans delivered to Buyer by Sellers. Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, no Purchased Loan shall remain in the custody of any Seller or an Affiliate of any Seller.

9. **REPRESENTATIONS**

(a) Buyer represents and warrants to each Seller as follows:

(i) Organization. Buyer has the power and authority to execute, deliver, and perform its obligations under this Agreement and the other Transaction Documents.

(ii) Due Execution; Enforceability. The Transaction Documents have been duly executed and delivered by Buyer, for good and valuable consideration. The Transaction Documents constitute the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles.

(iii) Non-Contravention. None of the execution and delivery of the Transaction Documents, the consummation by Buyer of the transactions contemplated by the Transaction Documents (or any of them), nor compliance by Buyer with the terms, conditions and provisions of the Transaction Documents (or any of them) will conflict with or result in a breach of any of the terms, conditions or provisions of (i) the organizational documents of Buyer, (ii) any contractual obligation to which Buyer is now a party or by which it is otherwise bound or to which the assets of Buyer are subject or constitute a default thereunder, or result thereunder in the creation or imposition of any lien upon any of the assets of Buyer, (iii) any judgment or order, writ, injunction, decree or demand of any court applicable to Buyer, or (iv) any applicable Requirement of Law (with respect to ERISA, this representation from Buyer assumes the accuracy of each Seller's negative covenant in Section 10(l) or, if applicable, its no prohibited transaction representation required by Section 21 of this Agreement), in the case of clauses (ii)-(iv) above, to the extent that such conflict or breach would have a material adverse effect upon Buyer's ability to perform its obligations hereunder.

(b) Each Seller represents and warrants to Buyer, severally and not jointly, that as of the Closing Date, as of each Purchase Date (and with respect to the representations and warranties

under paragraph (viii) of this Section 9(b) below) and at all times while this Agreement and any Transaction is in effect:

(i) Organization. Such Seller is duly formed, validly existing and in good standing under the laws and regulations of the state of such Seller's formation and is duly licensed, qualified, and in good standing in every state where such licensing or qualification is necessary for the transaction of such Seller's business, except to the extent such failure would not reasonably be expected to result in a Material Adverse Effect. Such Seller has the power to own and hold the assets it purports to own and hold, to carry on its business as now being conducted and proposed to be conducted, and to execute, deliver, and perform its obligations under this Agreement and the other Transaction Documents.

(ii) Due Execution; Enforceability. The Transaction Documents have been duly executed and delivered by such Seller, for good and valuable consideration. The Transaction Documents constitute the legal, valid and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles.

(iii) Non-Contravention. None of the execution and delivery of the Transaction Documents, the consummation by such Seller of the transactions contemplated by the Transaction Documents (or any of them), nor compliance by such Seller with the terms, conditions and provisions of the Transaction Documents (or any of them) will conflict with or result in a breach of any of the terms, conditions or provisions of (i) the organizational documents of such Seller, (ii) any contractual obligation to which such Seller is now a party or by which it is otherwise bound or to which the assets of such Seller are subject or constitute a default thereunder, or result thereunder in the creation or imposition of any lien upon any of the assets of such Seller, other than pursuant to the Transaction Documents, (iii) any judgment or order, writ, injunction, decree or demand of any court applicable to such Seller, or (iv) any applicable Requirement of Law, in the case of clauses (ii)-(iv) above, to the extent that such conflict or breach would have a Material Adverse Effect. Such Seller has all necessary licenses, permits and other consents from Governmental Authorities necessary to acquire, own and sell the Purchased Loans, and for the performance of its obligations under the Transaction Documents except to the extent the failure to have any such licensees, permits or consents would not result in a Material Adverse Effect.

(iv) Litigation; Requirements of Law. There is no action, suit, proceeding, investigation, or arbitration pending or, to the best knowledge of such Seller, threatened against such any Seller Party or any of their respective assets which may result in a Material Adverse Effect. Such Seller is in

compliance in all material respects with all Requirements of Law applicable to such Seller. None of the Seller Parties is in default in any material respect with respect to any judgment, order, writ, injunction, decree, rule or regulation of any arbitrator or Governmental Authority.

(v) No Broker. Such Seller has not dealt with any broker, investment banker, agent, or other Person (other than Buyer or an Affiliate of Buyer) who may be entitled to any commission or compensation in connection with the sale of Purchased Loans pursuant to any of the Transaction Documents.

(vi) Good Title to Purchased Loans. On the date hereof and immediately prior to (A) the purchase of any Purchased Loan by Buyer from such Seller and (B) Buyer's funding of any Additional Advance with respect to any Purchased Loan, such Seller owned such Purchased Loan in each case, free and clear of any lien, encumbrance or impediment to transfer (including any "adverse claim" as defined in Section 8-102(a)(1) of the UCC), and such Seller is the record and beneficial owner of and has good and marketable title to and the right to sell and transfer such Purchased Loan to Buyer and, upon transfer of such Purchased Loan to Buyer, Buyer shall be the owner of such Purchased Loan free of any adverse claim, subject to the rights of such Seller pursuant to the terms of this Agreement. In the event that any Transaction is characterized as a secured financing of the related Purchased Loans, the provisions of this Agreement are effective to create in favor of Buyer a valid "security interest" (as defined in Section 1-201(b)(37) of the UCC) in all rights, title and interest of such Seller in, to and under the Collateral and Buyer shall have a valid perfected first priority security interest in such Purchased Loans.

(vii) No Default. No Event of Default or, to the knowledge of such Seller, Default exists under or with respect to the Transaction Documents.

(viii) Representations and Warranties Regarding the Purchased Loans; Delivery of Preliminary Due Diligence Package and Loan File. With respect to each Purchased Loan sold or transferred in a Transaction hereunder, each of the Loan Representations applicable to such Purchased Loan are true and correct, except as disclosed to Buyer in writing prior to the Purchase Date for the applicable Purchased Loan and approved by Buyer in its sole and absolute discretion (and, if approved, set forth on Schedule 3 to the Confirmation for such Purchased Loan). It is understood and agreed that the Loan Representations shall survive delivery of the respective Loan File to Buyer or its designee (including the Custodian) and shall remain true and correct at all times while this Agreement is in effect. With respect to each Purchased Loan, the Preliminary Due Diligence Package delivered to Buyer in connection with such Purchased Loan is complete, true and accurate in all material respects (including, but not limited to, complete, true and accurate in all material respects with respect to the disclosure of any direct or indirect ownership interests of such Seller or its Affiliates in the

Mortgagor), and does not omit to state a material fact necessary to make the statements therein not misleading. With respect to each Purchased Loan, the Mortgage Note, the Mortgages, the Assignments of Mortgage, the Pledge Agreement, in each case, as applicable, and any other documents required to be delivered under this Agreement and the Custodial Agreement for such Purchased Loan have been delivered to Buyer or the Custodian on its behalf. Such Seller or its designee is in possession of a complete, true and accurate Loan File with respect to each Purchased Loan, except for such documents the originals of which have been delivered to the Custodian.

(ix) Adequate Capitalization; No Fraudulent Transfer. Such Seller has, as of the Purchase Date, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. Such Seller is generally able to pay, and as of the date hereof is paying, its debts as they come due. Such Seller is not insolvent nor will such Seller be made insolvent by virtue of such Seller's execution of or performance under any of the Transaction Documents within the meaning of the bankruptcy laws or the insolvency laws of the United States, the State of New York or any other jurisdiction under which such Seller is organized or qualified to do business. Such Seller has not entered into any Transaction Document or any Transaction pursuant thereto in contemplation of insolvency or with intent to hinder, delay or defraud any creditor.

(x) Consents. No consent, approval or other action of, or filing by such Seller with any Governmental Authority or any other Person is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by such Seller of any of the Transaction Documents (other than consents, approvals and filings that have been obtained or made, as applicable).

(xi) Ownership. The direct, and to the extent depicted, the indirect, ownership interests in such Seller and Guarantor are as set forth on the organizational chart attached hereto as Exhibit VII hereto.

(xii) Organizational Documents. Such Seller has delivered to Buyer certified copies of its organizational documents, together with all amendments thereto, if any.

(xiii) No Encumbrances. Subject to the terms of this Agreement, there are (i) no outstanding rights, options, warrants or agreements on the part of such Seller for a purchase, sale or issuance, in connection with the Purchased Loans, and (ii) no agreements on the part of such Seller to issue, sell or distribute the Purchased Loans.

(xiv) Investment Company Act. Such Seller is not required to register, nor will it be required to register as a result of the transactions contemplated hereby,

as an "investment company" under the Investment Company Act of 1940 (as amended, the "Investment Company Act") and although there may be additional exclusions or exemptions available to it, such Seller will rely on Section 3(c)(5)(C) under the Investment Company Act for its exemption from registration thereunder.

(xv) Taxes. Such Seller has filed or caused to be filed all federal and other material Tax returns which would be delinquent if they had not been filed on or before the date hereof and has paid all Taxes shown to be due and payable on or before the date hereof on such returns or on any assessments made against it or any of its property and all other Taxes, fees or other charges imposed on it and any of its assets by any Governmental Authority except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided in accordance with GAAP; no Tax liens have been filed against any of such Seller's assets and, to the best knowledge of such Seller, no claims are being asserted with respect to any such Taxes, fees or other charges.

(xvi) ERISA. No Seller Party nor any of their respective ERISA Affiliates sponsors, maintains, contributes to, or has within the immediately preceding five calendar years sponsored, maintained or contributed to, any Plans or Multiemployer Plans, the liability for which would reasonably be expected in the aggregate to result in a Material Adverse Effect.

(xvii) Judgments/Bankruptcy. Except as disclosed in writing to Buyer there are no judgments against any Seller Party unsatisfied of record or docketed in any court located in the United States of America and no Act of Insolvency has ever occurred with respect to any Seller Party.

(xviii) [RESERVED].

(xix) Financial Information. All financial data concerning such Seller that has been delivered by or on behalf of such Seller to Buyer is true, complete and correct in all material respects and has been prepared in accordance with GAAP. Since the delivery of such data, except as otherwise disclosed in writing to Buyer, there has been no change in the financial position of such Seller, or in the results of operations of such Seller, which change is reasonably likely to result in a Material Adverse Effect.

(xx) Reserved.

(xxi) Notice Address; Jurisdiction of Organization. On the date of this Agreement, such Seller's address for notices is as set forth on Annex I attached hereto. Such Seller's jurisdiction of formation is Delaware. The location where such Seller keeps its books and records, including all computer tapes and records relating to the Collateral, is its notice address.

(xxii) Prohibited Person. None of the funds or other assets of such Seller constitute property of, or are, to such Seller's knowledge, beneficially owned, directly or indirectly, by a Prohibited Person with the result that the investment in such Seller (whether directly or indirectly), is prohibited by law or the entering into this Agreement by Buyer is in violation of law; (b) to such Seller's knowledge, no Prohibited Person has any interest of any nature whatsoever in such Seller with the result that the investment in such Seller (whether directly or indirectly), is prohibited by law or the entering into this Agreement is in violation of law; (c) to such Seller's knowledge, none of the funds of such Seller have been derived from any unlawful activity with the result that the investment in such Seller (whether directly or indirectly), is prohibited by law or the entering into this Agreement is in violation of law; (d) to such Seller's knowledge, such Seller has not conducted and will not conduct any business and has not engaged and will not engage in any transaction dealing with any Prohibited Person; and (e) such Seller is not a Prohibited Person and has not been convicted of a felony or a crime which if prosecuted under the laws of the United States of America would be a felony.

(c) On the Purchase Date for any Transaction, each Seller shall be deemed to have made all of the representations set forth in this Section 9 as of such Purchase Date.

10. NEGATIVE COVENANTS OF SELLER

During the term of this Agreement and so long as any Transaction is in effect hereunder, no Seller shall without the prior written consent of Buyer:

(a) take any action which would directly or indirectly impair or adversely affect Buyer's title or interest to any of the Purchased Loans;

(b) transfer, assign, convey, grant, bargain, sell, set over, deliver or otherwise dispose of, or pledge, encumber or hypothecate, directly or indirectly (any of the foregoing, a "Transfer"), any interest in the Purchased Loans (or any of them) to any Person other than Buyer, or engage in repurchase transactions or similar transactions with respect to the Purchased Loans (or any of them) with any Person other than Buyer;

(c) change its name or its jurisdiction of organization from the jurisdiction referred to in Section 9(b)(xxi) unless it shall have provided Buyer thirty (30) days' prior written notice of such change;

(d) create, incur or permit to exist any lien, encumbrance or security interest in or on any of the Purchased Loans or the other Collateral, except for any Permitted Encumbrances or liens created in favor of Buyer under this Agreement or the other Transaction Documents;

(e) materially modify or terminate its Seller Operating Agreement or any of the organizational documents of such Seller;

(f) enter into, consent or assent to any amendment or supplement to, or termination of, or waiver of any provision of, any of the Loan Documents relating to any Purchased Loan to the extent any of same constitutes a Material Modification except in accordance with the terms and provisions of this Agreement;

(g) transfer or permit to be transferred any direct or indirect ownership interests in any Seller Party, or take any action or permit any action to be taken, if any such transfers and/or actions, individually or in the aggregate, would result in a Change of Control;

(h) [Intentionally Omitted];

(i) after the occurrence and during the continuation of any Event of Default, make any distribution, payment on account of, or set apart assets for, a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of any equity or ownership interest of such Seller, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of such Seller (unless the same is necessary for SAMC to maintain its status as a REIT under the Code or to prevent the imposition of taxes on SAMC pursuant to Sections 857 or 4981 of the Code);

(j) send a payment redirection letter to the Mortgagor of any Purchased Loan, or otherwise instruct any Mortgagor to make any payment due on a Purchased Loan to any account, other than a restricted or other similar account established pursuant to the applicable Loan Documents, the Applicable Servicer Account or Cash Management Account;

(k) sponsor or maintain any Plans or have an obligation to contribute to any Plan or Multiemployer Plan; or permit any ERISA Affiliate to sponsor or maintain any Plans or make any contributions to, or have any liability or obligation (direct or contingent) with respect to, any Plan or Multiemployer Plan that could possibly result in material liability for any Seller;

(l) subject to Section 21 of this Agreement, become an entity deemed to hold Plan Assets;

(m) make any future advances under any Purchased Loan to any underlying obligor that are not expressly provided for by the related Loan Documents;

(n) seek its dissolution, liquidation or winding up, in whole or in part;

(o) exercise any remedies under the Loan Documents for any Purchased Loan as to which a Loan Event of Default has occurred and has not been waived, including, without limitation, the commencement or prosecution of any foreclosure proceeding, the exercise of any power of sale, the taking of a deed-in-lieu of foreclosure or other realization upon the security for any Purchased Loan;

(p) [Intentionally Omitted];

(q) [Intentionally Omitted];

(r) conduct any business, or engage in any transaction or dealing, with any Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person; or engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order 13224 issued on September 24, 2001. Each Seller further covenants and agrees to deliver (from time to time) to Buyer any such certification or other evidence as may be requested by Buyer in its sole and absolute discretion, confirming that such Seller has not, to its knowledge, engaged in any business, transaction or dealings with a Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person; or

(s) cause any Purchased Loan to be serviced by any servicer other than a Servicer expressly approved in writing by Buyer or enter into or materially modify any Servicing Agreement except in accordance with Section 28.

11. AFFIRMATIVE COVENANTS OF SELLER

During the term of this Agreement and so long as any Transaction is in effect hereunder:

(a) Each Seller shall promptly notify Buyer of any Material Adverse Effect; *provided,* however, that nothing in this Section 11 shall relieve any Seller of its obligations under this Agreement.

(b) Each Seller shall provide Buyer with copies of such documents as Buyer may reasonably request evidencing the truthfulness of the representations set forth in Section 9.

(c) Each Seller (i) shall defend the right, title and interest of Buyer in and to the Collateral against, and take such other action as is necessary to remove, the liens, security interests, claims and demands of all Persons (other than security interests by or through Buyer) and (ii) shall, at Buyer's reasonable request, take all action necessary to ensure that Buyer will have a first priority security interest in the Purchased Loans subject to any of the Transactions in the event such Transactions are recharacterized as secured financings.

(d) Each Seller shall notify Buyer and the Depository of the occurrence of any Default or Event of Default as soon as possible but in no event later than the second (2nd) Business Day after obtaining actual knowledge of such event.

(e) Each Seller shall give notice to Buyer of the following (except in the case of clause (i) below, accompanied by an officer's certificate setting forth details of the occurrence referred to therein and stating what actions such Seller has taken or proposes to take with respect thereto):

(i) with respect to any Purchased Loan subject to a Transaction hereunder, promptly (and in any event within two (2) Business Days) following receipt of any unscheduled Principal Payment (in full or in part);

(ii) with respect to any Purchased Loan sold to Buyer hereunder, promptly (and in any event within two (2) Business Days) following receipt by such Seller of notice or knowledge that any related Mortgaged Property has been

damaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty, or otherwise damaged so as, in each case, to materially and adversely affect the value of such Mortgaged Property;

(iii) promptly (and in any event within two (2) Business Days) following receipt of notice by such Seller or knowledge of (i) the occurrence of any payment default or other material default under the Loan Documents for any Purchased Loan, (ii) any lien or security interest (other than security interests created hereby) on, or claim asserted against, any Purchased Loan or, to the best knowledge of such Seller, the underlying collateral therefor or (iii) any event or change in circumstances that has or could reasonably be expected to have a material and adverse effect on the Market Value of a Purchased Loan; and

(iv) promptly, and in any event within three (3) Business Days after service of process on any of the following, give to Buyer notice of all litigation, actions, suits, arbitrations, investigations (including, without limitation, any of the foregoing which are pending or threatened) or other legal or arbitrable proceedings directly affecting such Seller or directly affecting any of the assets of such Seller before any Governmental Authority that (i) questions or challenges the validity or enforceability of any of the Transaction Documents or any action to be taken in connection with the transactions contemplated hereby, (ii) makes a claim or claims in an aggregate amount greater than $1,000,000, or (iii) which, individually or in the aggregate, if adversely determined could reasonably be likely to have a Material Adverse Effect.

(f) Each Seller shall deliver to Buyer (i) notice of the occurrence of any Loan Event of Default promptly (and in any event not later than two (2) Business Days) after the earlier of the date that such Seller receives notice or has actual knowledge thereof and (ii) any other information with respect to any Purchased Loan as may be reasonably requested by Buyer from time to time.

(g) Each Seller will permit Buyer or its designated representative to inspect such Seller's records with respect to the Collateral and the conduct and operation of its business related thereto upon reasonable prior written notice from Buyer or its designated representative, at such reasonable times and with reasonable frequency (but not more than once in any calendar year so long as no Event of Default or Diligence Event exists), and to make copies of extracts of any and all thereof, subject to the terms of any confidentiality agreement between Buyer and the applicable Seller.

(h) At any time from time to time upon the reasonable request of Buyer, at the sole expense of the applicable Seller, each Seller will promptly and duly execute and deliver to Buyer such further instruments and documents and take such further actions as Buyer may reasonably request for the purposes of obtaining or preserving the full benefits of this Agreement including the security interests granted hereunder and of the rights and powers herein granted (including, among other things, filing such UCC financing statements as Buyer may reasonably request). If any amount payable under or in connection with any of the Collateral shall be or become evidenced

by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to Buyer, duly endorsed in a manner reasonably satisfactory to Buyer, to be held as Collateral pursuant to this Agreement, and the documents delivered in connection herewith.

(i) Each Seller shall provide Buyer with the following financial and reporting information (which shall be provided by email to each of the parties listed as "Buyer Reporting Parties" on Annex I attached hereto):

(i) Within forty-five (45) days after the last day of each of the first three fiscal quarters in any fiscal year, Guarantor's consolidated and unaudited and such Seller's unaudited statements of income and statements of changes in cash flow for such quarter and balance sheets as of the end of such quarter, in each case presented fairly in accordance with GAAP and certified as being true and correct by an officer's certificate;

(ii) Within ninety (90) days after the last day of its fiscal year, Guarantor's consolidated and audited, and such Seller's unaudited, statements of income and statements of changes in cash flow for such year and balance sheets as of the end of such year, in each case presented fairly in accordance with GAAP, and accompanied, in all cases, by an unqualified report of a nationally recognized independent certified public accounting firm reasonably acceptable to Buyer;

(iii) If not provided by the Servicer, within thirty (30) days after the last day of each calendar month, any and all property level financial information (including without limitation rent rolls and operating statements) received with respect to the Purchased Loans by such Seller or an Affiliate during such calendar month;

(iv) Within forty-five (45) days after the last day of each of the first, second and third quarters and within sixty (60) days after the last day of the fourth quarter in any fiscal year, an officer's certificate from such Seller addressed to Buyer certifying that, as of the end of such quarter, (x) such Seller is in compliance with all of the terms, conditions and requirements of this Agreement, (y) no Default or Event of Default exists and (z) Guarantor is in compliance with the financial covenants set forth in Section 8 of the Guaranty (including a calculation of each such financial covenant); and

(v) The Sellers shall cause the Servicer, no later than the fourth (4^{th}) Business Day preceding each Payment Date (as defined in the Servicing Agreement), to provide reports substantially in the form attached hereto as Exhibit XVIII.

(j) Each Seller shall at all times comply in all material respects with all laws, ordinances, rules and regulations of any federal, state, municipal or other public authority having jurisdiction over such Seller or any of its assets and such Seller shall do or cause to be done all

things reasonably necessary to preserve and maintain in full force and effect its legal existence, and all licenses material to its business.

(k) Each Seller shall at all times keep proper books of records and accounts in which full, true and correct entries shall be made of its transactions in accordance with GAAP and set aside on its books from its earnings for each fiscal year all such proper reserves in accordance with GAAP.

(l) Each Seller shall observe, perform and satisfy all the terms, provisions, covenants and conditions required to be observed, performed or satisfied by it, and shall pay when due all costs, fees and expenses required to be paid by it, under the Transaction Documents (including, for the avoidance of doubt, all costs, fees and expenses due to each of the Appraisal Review Agent and the Verification Agent). Each Seller shall pay and discharge all Taxes, levies, liens and other charges on its assets and on the Collateral that, in each case, in any manner would create any lien or charge upon the Collateral, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided in accordance with GAAP in all material respects. Each Seller shall timely file all Tax returns required to be filed by it or with respect to all or any portion of the Collateral.

(m) Each Seller shall advise Buyer in writing of the opening of any new chief executive office or the closing of any such office and of any change in such Seller's name or organizational structure or the places where the books and records pertaining to the Purchased Loan are held not less than thirty (30) days prior to taking any such action. Each Seller shall also give Buyer prompt written notice of any transfer of more than 20% of the direct or indirect ownership interests in any Seller Party.

(n) Each Seller will maintain records with respect to the Collateral and the conduct and operation of its business with no less a degree of prudence than if the Collateral were held by such Seller for its own account and will furnish Buyer, upon reasonable request by Buyer or its designated representative, with reasonable information reasonably obtainable by such Seller with respect to the Collateral and the conduct and operation of its business.

(o) Each Seller shall provide Buyer with reasonable access to any operating statements, any occupancy status and any other property level information, with respect to the Mortgaged Properties, plus any such additional reports as Buyer may reasonably request, in each case, to the extent same is in such Seller's possession or reasonably obtainable by such Seller.

(p) Unless a Seller shall have given Buyer at least thirty (30) days' prior written notice that such Seller intends to change the jurisdiction of its organization, (i) each LLC Seller shall maintain its existence as a limited liability company organized solely and in good standing under the law of the State of Delaware and (ii) each Trust Seller shall maintain its existence as a statutory trust organized solely and in good standing under the law of the State of Delaware, and, in each case, shall not dissolve, liquidate, merge with or into any other Person or otherwise change its organizational structure or documents or incorporate or organize in any other jurisdiction, without the prior written approval of Buyer, which approval shall not be unreasonably withheld, conditioned or delayed.

(q) Each Seller shall promptly provide Buyer with notice of any Other Financing Agreements entered into by SAMC or any of its subsidiaries. Upon request of Buyer, the applicable Seller shall provide Buyer with copies (on a no-name basis) of the relevant provisions of such Other Financing Agreements (including any Other Financing Agreements entered into as of the date hereof) in order to comply with the provisions of Section 4(b) of this Agreement and Section 8(k) of the Guaranty.

(r) Unless not required to deliver a Beneficial Ownership Certificate because it is an excluded "Legal Entity Customer" under and as defined in the Beneficial Ownership Regulation, each Seller shall provide to Buyer: (i) a new Beneficial Ownership Certificate, in form and substance reasonably acceptable to Buyer, when the individual(s) identified therein as beneficial owners have changed; and (ii) such other information and documentation as may reasonably be requested by Buyer from time to time for purposes of compliance by Buyer with applicable laws and any policy or procedure implemented by the Buyer to comply therewith. As soon as practicable, and in any event within five (5) days after a responsible officer of a Seller obtains knowledge thereof, such Seller shall provide to Buyer written notice of any change in the information provided in such Seller's most recently furnished Beneficial Ownership Certificate that would result in a change to the list of beneficial owners identified therein.

12. **[INTENTIONALLY OMITTED]**

13. **EVENTS OF DEFAULT; REMEDIES**

(a) After the occurrence and during the continuance of an Event of Default, each Seller hereby appoints Buyer as attorney-in-fact of such Seller for the purpose of carrying out the provisions of this Agreement and taking any action and executing or endorsing any instruments that Buyer may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest.

Each of the following shall constitute an "Event of Default":

(i) any Seller fails to repurchase a Purchased Loan upon the applicable Repurchase Date therefor, and such failure continues for more than one (1) Business Day;

(ii) any Seller fails to pay any Margin Deficit with respect to a Purchased Loan when required pursuant to Section 4 hereof;

(iii) [Reserved];

(iv) an Act of Insolvency occurs with respect to any Seller Party;

(v) any Seller Party shall admit in writing its inability to, or its intention not to, perform any of its monetary payment obligations hereunder;

(vi) either (A) the Transaction Documents shall for any reason not cause, or shall cease to cause, Buyer to be the owner free of any adverse claim (other than the rights of a Seller pursuant to this Agreement) of any of the Purchased

Loans, or (B) the Transaction Documents with respect to any Transaction shall for any reason cease to create a valid first priority security interest in favor of Buyer in any of the Purchased Loans, and such circumstance continues for more than fifteen (15) Business Days;

(vii) subject to the provisions of Section 5(e), the failure of Buyer to receive on any Remittance Date the accrued and unpaid Price Differential for a Transaction;

(viii) failure of any Seller Party to make any other payment owing to Buyer which has become due under this Agreement or any other Transaction Document, whether by acceleration or otherwise under the terms of this Agreement or the other Transaction Documents, which failure is not remedied within five (5) Business Days;

(ix) any governmental, regulatory, or self-regulatory authority shall have taken any action to remove, limit, restrict, suspend or terminate the rights, privileges, or operations of any Seller Party, which suspension results in or is reasonably likely to result in a Material Adverse Effect;

(x) a Change of Control shall have occurred that has not been consented to by Buyer in writing;

(xi) any representation (other than a Loan Representation or representation under Section 9(b)(viii)) made by a Seller Party in this Agreement or the other Transaction Documents shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, which incorrect or untrue representation, to the extent such breach is reasonably susceptible to cure, is not cured within ten (10) days after notice of the default or breach (except if such breach is curable and the applicable Seller Party diligently attempts to cure such default, and such breach continues for thirty (30) days after notice of the default or breach);

(xii) any Loan Representation or representation under Section 9(b)(viii) made by any Seller in this Agreement shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, which incorrect or untrue representation, to the extent such breach is reasonably susceptible to cure, is not cured within, or such Seller terminates the related Transaction and repurchases the related Purchased Loan(s) within ten (10) Business Days after written notice thereof to the applicable Seller, or its successors or assigns (except if such breach is curable and such Seller diligently attempts to cure such breach, and such breach continues for thirty (30) days after notice of the breach);

(xiii) either (A) Guarantor shall fail to observe any of the financial covenants set forth in the Guaranty or shall have defaulted or failed to perform under the Guaranty, and such breach is not cured within five (5) Business Days or (B)

the Guaranty shall have been revoked, rescinded or otherwise cease to be in full force and effect;

(xiv) a final non-appealable judgment by any competent court in the United States of America for the payment of money in an amount greater than $5,000,000 shall have been rendered against any Seller Party, and remained undischarged or unpaid for a period of thirty (30) days, during which period execution of such judgment is not effectively stayed by bonding over or other means acceptable to Buyer, unless adequate funds have been reserved or set aside for the payment thereof in a segregated account pledged to the Buyer as security for such Seller Party's obligations and subject to an account control agreement, reasonably acceptable to the Buyer, among the Depository and the applicable Seller;

(xv) any Seller Party shall have defaulted or failed to perform under any note, indenture, loan agreement, guaranty, repurchase agreement, swap agreement or any other contract, agreement or transaction to which it is a party, which default (A) involves the failure to pay a monetary obligation of $5,000,000 or more, or (B) permits the acceleration of the maturity of obligations, or the declaration of a mandatory early repurchase date or termination date with respect to indebtedness or obligations of $5,000,000 or more, by any other party to or beneficiary of such note, indenture, loan agreement, guaranty, repurchase agreement, swap agreement or any other contract, agreement or transaction, *provided,* however, that any such default, failure to perform or breach shall not constitute an Event of Default if such Seller Party cures such default, failure to perform or breach, as the case may be, within the grace period, if any, provided under the applicable agreement;

(xvi) if (A) any Seller Party or any Affiliate of a Seller Party defaults beyond any applicable grace period in paying any amount or performing any obligation due to an Affiliated Hedge Counterparty under any Affiliated Hedging Transaction or (B) any Seller Party defaults beyond any applicable grace period in paying any amount or performing any obligation due to Buyer or any Affiliate of Buyer under any other financing, swap, hedging, security or credit agreement between such Seller Party or any Affiliate of such Seller Party and Buyer or any Affiliate of Buyer;

(xvii) any breach under Sections 10(b), (d), (e), (g), (i), (l) (o), (r) or (s) or under Section 21, and, to the extent such breach is subject to cure, such breach is not cured within one (1) Business Day of notice thereof;

(xviii) any breach under Section 10(f); *provided,* however, that any such breach by such Seller under Section 10(f) shall not be considered an Event of Default hereunder provided such Seller terminates the related Transaction and repurchases the related Purchased Loan(s) on an Early Repurchase Date no later than two (2) Business Days after notice from Buyer to such Seller of

such breach *provided* that such notice from Buyer is sent by 6:00 p.m. (New York City time), or three (3) Business Days following the date of receipt of such notice if such notice is sent after 6:00 p.m. (New York City time) on such date;

(xix) if any Seller Party shall breach or fail to perform any of the terms, covenants, obligations or conditions of this Agreement or any other Transaction Document, other than as specifically otherwise referred to in this definition of "Event of Default", and such breach or failure to perform is not remedied within ten (10) Business Days after written notice thereof to such Seller by Buyer, or its successors or assigns (except if such default or breach is curable and such Seller diligently attempts to cure such default, and such default or breach continues for thirty (30) days after notice of the default or breach) (unless this Agreement or such other Transaction Document expressly provides that such breach or failure constitutes an immediate Event of Default, in which case no notice or cure period shall apply);

(xx) failure of a Servicer to make any Protective Advance required to be made under the Transaction Documents, which failure materially impairs the value of the related Mortgaged Property, and such failure continues for more than two (2) Business Days;

(xxi) any Seller Party or the Collateral becomes an investment company required to be registered under the Investment Company Act of 1940, as amended;

(xxii) the applicable Seller fails to appoint a successor Servicer within one hundred twenty (120) days of its receipt of a valid notice of removal or retirement of any Servicer given pursuant to the applicable Servicing Agreement;

(xxiii) a failure to maintain Available Amounts equal to (i) 100% of the aggregate Future Advance Obligations for all Purchased Loans less (ii) amounts on deposit in a segregated account pledged to the Buyer as security for the obligations of the Seller Parties and subject to an account control agreement, reasonably acceptable to the Buyer, between the Depository and the applicable Seller, and such failure continues for more than five (5) Business Days;

(xxiv) a failure by any party to deliver any report required under Section 27 or under any Servicing Agreement, and such failure continues for more than ten (10) Business Days after written request for such report;

(xxv) SAMC ceases to be the general partner of the Guarantor;

(xxvi) the Investment Manager ceases to be the investment manager of the Guarantor, pursuant to an investment management agreement;

(xxvii) Thomas Capasse and Jack Ross cease to be involved in the day-to-day operations of the Guarantor or the Investment Manager;

(xxviii) the occurrence of one or more ERISA Events that results or is reasonably expected to result in liability of the Seller under Title IV of ERISA to the Plan, Multiemployer Plan or the PBGC, and such event, together with all other ERISA Events, if any, is reasonably expected to result in a Material Adverse Effect;

(xxix) SAMC fails (i) to qualify as a REIT, and such failure gives rise to any tax liability or penalty in excess of $5,000,000 or (ii) to satisfy any of the income or asset tests required to be satisfied by a REIT, unless such failure is subject to a cure or corrective period permitted under the Code or does not give rise to any tax liability or penalty in excess of $5,000,000; *provided* that no such cure or corrective period or material liability or penalty qualification shall apply where the failure to satisfy such tests occurs more than once in any tax year; or

(xxx) Sutherland Trust II becomes subject to any entity-level taxation in a cumulative amount greater than or equal to $1,000,000.

(b) If an Event of Default shall occur and be continuing, the following rights and remedies shall be available to Buyer:

(i) At the option of Buyer, exercised by written notice to each Seller (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an Act of Insolvency), the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (the date on which such option is exercised or deemed to have been exercised being referred to hereinafter as the "Accelerated Repurchase Date").

(ii) If Buyer exercises or is deemed to have exercised the option referred to in Section 13(b)(i) of this Agreement:

(A) each Seller's obligations hereunder to repurchase all Purchased Loans shall become immediately due and payable on and as of the Accelerated Repurchase Date; and

(B) the Repurchase Price with respect to each Transaction (determined as of the Accelerated Repurchase Date) shall include the accrued and unpaid Price Differential with respect to each Purchased Loan accrued at the Pricing Rate applicable upon the occurrence of an Event of Default; and

(C) the Custodian shall, upon the request of Buyer, deliver to Buyer all Loan Documents, instruments, certificates and other documents then held by the Custodian relating to the Purchased Loans.

(iii) Upon the occurrence of an Event of Default, Buyer may (upon making reasonable effort to provide prior notice to the Sellers; *provided*, however, than any failure by Buyer to deliver such notice shall in no way impair Buyer's right to exercise remedies under this Article 13) (A) immediately sell, at a public or private sale in a commercially reasonable manner and at such price or prices as Buyer may deem satisfactory in its sole and absolute discretion any or all of the Purchased Loans or (B) in its sole and absolute discretion elect, in lieu of selling all or a portion of such Purchased Loans, to give the applicable Seller credit for such Purchased Loans in an amount equal to the Market Value of such Purchased Loans against the aggregate unpaid Repurchase Price for such Purchased Loans and any other amounts owing by the Seller Parties under this Agreement or the Transaction Documents. The proceeds of any disposition of Purchased Loans effected pursuant to this Section 13(b)(iii) shall be applied, (v) *first*, to the costs and expenses incurred by Buyer in connection with Sellers' defaults; (w) *second*, to any and all amounts due under Section 3(h), including, but not limited to, costs of cover, if any; (x) *third*, to the aggregate Repurchase Price of the Purchased Loans; and (y) *fourth*, to return any excess to the applicable Seller.

(iv) The parties acknowledge and agree that (1) the Purchased Loans subject to Transactions hereunder are not instruments traded in a recognized market, and, in the absence of a generally recognized source for prices or bid or offer quotations for any Purchased Loans, Buyer may establish the source therefor in its sole and absolute discretion and (2) all prices, bids and offers shall be determined together with accrued Available Income (except to the extent contrary to market practice with respect to the relevant Purchased Loans). The parties recognize that it may not be possible to purchase or sell all of the Purchased Loans on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for such Purchased Loans may not be liquid at such time. In view of the nature of the Purchased Loans, the parties agree that liquidation of a Transaction, the Purchased Loans pursuant to this Section 13(b) does not require a public purchase or sale and that a good faith private purchase or sale shall be deemed to have been made in a commercially reasonable manner. Accordingly, Buyer may elect, in its sole and absolute discretion, the time and manner of liquidating any Purchased Loans pursuant to this Section 13(b) and nothing contained herein shall (A) obligate Buyer to liquidate any Purchased Loans on the occurrence and during the continuance of an Event of Default or to liquidate any or all of the Purchased Loans in the same manner or on the same Business Day or (B) constitute a waiver of any right or remedy of Buyer.

(v) Each Seller shall be liable to Buyer for (A) the amount of all expenses, including reasonable out-of-pocket legal fees and expenses, actually incurred by Buyer in connection with or as a consequence of an Event of

Default and (B) any other actual out-of-pocket loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default.

(vi) Buyer shall have, in addition to its rights and remedies under the Transaction Documents, all of the rights and remedies provided by applicable federal, state and local laws (including, without limitation, if the Transactions are characterized as secured financings, the rights and remedies of a secured party under the UCC of the State of New York, to the extent that the UCC is applicable, and the right to offset any mutual debt and claim), in equity, and under any other agreement between Buyer and the Seller Parties. Without limiting the generality of the foregoing, Buyer shall be entitled to set off the proceeds of the liquidation of the Purchased Loans against all of the Seller Parties' obligations to Buyer under this Agreement and the other Transaction Documents, whether or not such obligations are then due, without prejudice to Buyer's right to recover any deficiency.

(vii) Subject to the notice and grace periods set forth herein, Buyer may exercise any or all of the remedies available to Buyer immediately upon the occurrence of an Event of Default and at any time during the continuance thereof. Except as expressly required herein or in the other Transaction Documents, Buyer shall not be required to give notice to the Seller Parties or any other Person prior to exercising any remedy in respect of an Event of Default. All rights and remedies arising under the Transaction Documents, as amended from time to time, are cumulative and not exclusive of any other rights or remedies which Buyer may have.

(viii) Buyer may enforce its rights and remedies hereunder without prior judicial process or hearing, and each Seller hereby expressly waives any defenses such Seller might otherwise have to require Buyer to enforce its rights by judicial process. Each Seller also waives any defense such Seller might otherwise have arising from the use of nonjudicial process, disposition of any or all of the Purchased Loans, or from any other election of remedies. Each Seller recognizes that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length.

(ix) Upon the designation of any Accelerated Repurchase Date, Buyer may, without prior notice to the Seller Parties, set off any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by the Seller Parties to Buyer or any Affiliate of Buyer against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by Buyer or any Affiliate of Buyer to the Seller Parties. Buyer will give notice to the

other party of any set off effected under this Section 13(b)(ix). If a sum or obligation is unascertained, Buyer may estimate in good faith that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained. Nothing in this Section 13(b)(ix) shall be effective to create a charge or other security interest. This Section 13(b)(ix) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other rights to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(x) Each Seller shall within two (2) Business Days following Buyer's written request, to execute and deliver to Buyer such documents, instruments, certificates, assignments and other writings, and do such other acts as Buyer may reasonably request for the purposes of assuring, perfecting and evidencing Buyer's ownership of and security interests in the Purchased Loans, including without limitation: (i) forwarding, to Buyer or Buyer's designee (including, if applicable, the Custodian), any payments such Seller may hereafter receive on account of the Purchased Loans, in each case promptly upon receipt thereof; (ii) delivering to Buyer or such designee any originals of certificates, instruments, documents, notices or files evidencing or relating to the Purchased Loans which are in such Seller's possession or under its control; and (iii) delivering to Buyer underwriting summaries, credit memos, assets summaries, status reports or similar documents relating to the Purchased Loans and in such Seller's possession or under its control.

14. **[INTENTIONALLY OMITTED]**

15. **RECORDING OF COMMUNICATIONS**

EACH OF BUYER AND EACH SELLER SHALL HAVE THE RIGHT (BUT NOT THE OBLIGATION) FROM TIME TO TIME TO MAKE OR CAUSE TO BE MADE TAPE RECORDINGS OF COMMUNICATIONS BETWEEN ITS EMPLOYEES, IF ANY, AND THOSE OF THE OTHER PARTY WITH RESPECT TO TRANSACTIONS; *PROVIDED,* HOWEVER, THAT SUCH RIGHT TO RECORD COMMUNICATIONS SHALL BE LIMITED TO COMMUNICATIONS OF EMPLOYEES TAKING PLACE ON THE TRADING FLOOR OF THE APPLICABLE PARTY. EACH OF BUYER AND EACH SELLER HEREBY CONSENTS TO THE ADMISSIBILITY OF SUCH TAPE RECORDINGS IN ANY COURT, ARBITRATION, OR OTHER PROCEEDINGS, AND AGREE THAT A DULY AUTHENTICATED TRANSCRIPT OF SUCH A TAPE RECORDING SHALL BE DEEMED TO BE A WRITING CONCLUSIVELY EVIDENCING THE PARTIES' AGREEMENT.

16. **NOTICES AND OTHER COMMUNICATIONS**

Unless otherwise provided in this Agreement, all notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if

delivered by email together with delivery by one of the following methods: (a) hand delivery, with proof of attempted delivery, (b) certified or registered United States mail, postage prepaid, or (c) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, to the address specified in Annex I hereto or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 16. A notice shall be deemed to have been given when delivered by email upon delivery, *provided* that (i) such email notice was also delivered by one of the means set forth in (a), (b) or (c) above (which may arrive after such email), and (ii) the transmitting party did not receive an electronic notice of a transmission failure; *provided,* however, that if a party shall fail to deliver such email notice, notice shall nevertheless be deemed to be given (a) in the case of hand delivery, at the time of delivery, (b) in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day, or (c) in the case of expedited prepaid delivery upon the first attempted delivery on a Business Day. A party receiving a notice which does not comply with the technical requirements for notice under this Section 16 may elect to waive any deficiencies and treat the notice as having been properly given.

17. **ENTIRE AGREEMENT; SEVERABILITY**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

18. **ASSIGNABILITY**

(a) The rights and obligations of the Seller Parties under this Agreement and the other Transaction Documents and under any Transaction shall not be assigned by the Seller Parties without the prior written consent of Buyer, which consent may be granted or withheld in Buyer's sole discretion.

(b) Buyer shall not sell, assign or otherwise transfer any interest or obligation under this Agreement and the other Transaction Documents and/or under any Transaction without the prior written consent of the Sellers, which consent shall not be unreasonably withheld, conditioned or delayed (a "Restricted Transfer"); *provided*, however, that in no event shall any such assignment, sale or transfer be to any of the parties listed on Exhibit X attached hereto or their respective Affiliates (collectively, "Prohibited Transferees") without the prior written consent of the Sellers. Buyer may sell participations or synthetic interests in any interest or obligation under this Agreement and the other Transaction Documents and/or under any Transaction to one or more Persons in or to all or a portion of its rights as Buyer; *provided*, however, that (A) such Person's obligations under this Agreement and the Transaction Documents shall remain unchanged, (B) such Person shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Sellers shall continue to deal solely and directly with Buyer in connection with Buyer's rights and obligations under this Agreement and the other Transaction Documents. For the avoidance of doubt, the transfer restrictions described above regarding Restricted Transfers shall not apply, and the interests and obligations shall be freely transferable (A) following the

occurrence of a Regulatory Event (a "Regulatory Transfer"), (B) following the occurrence and continuation of an Event of Default or (C) to any Affiliate of Buyer (clauses (B) and (C) together, an "Unrestricted Transfer"). Buyer shall notify the Seller at least twenty (20) Business Days prior to any Restricted Transfer or Regulatory Transfer, and at least five (5) Business Days prior to an Unrestricted Transfer. Buyer may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 18(b), disclose to the assignee or participant or proposed assignee or participant, as the case may be, any information relating to any Seller Party or to any aspect of the transactions contemplated by the Transaction Documents that has been furnished to Buyer by or on behalf of any Seller Party; *provided* that such assignee or participant agrees to hold such information subject to the confidentiality provisions of this Agreement and any confidentiality provisions applicable to any of the documents related thereto.

(c) Buyer shall, acting for this purpose as a non-fiduciary agent of Sellers (the "Registrar"), maintain a record of ownership (the "Register") on which is entered the name and address of all assignees of Buyer and each such assignee's interest in the rights and obligations under this Agreement and the other Transaction Documents. All assignments pursuant to Section 18 hereof shall be recorded on the Register. This provision is intended to be interpreted so that the indebtedness (for federal income tax purposes, as set forth in Section 22(e)) evidenced by the Transaction Documents is treated as being in registered form in accordance with Section 5f.103-1(c) of the Treasury Regulations. The Register shall be available for inspection by Sellers at any reasonable time and from time to time upon reasonable prior notice. The entries in the Register shall be conclusive absent manifest error, and Buyer and Sellers shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Buyer hereunder for all purposes of this Agreement and any other Transaction Document notwithstanding notice to the contrary, subject to the provisions of this Section 18. Buyer may, at any time, designate any other Person, including a Seller, to be the successor Registrar.

(d) If Buyer sells a participation, Buyer shall, acting for this purpose as a non- fiduciary agent of Sellers, maintain a register on which is entered the name and address of each participant and such participant's interest in the rights and obligations under this Agreement and the other Transaction Documents (the "Participant Register") and no participation shall be effective until recorded on the Participant Register; *provided* that, Buyer shall not have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any rights or obligations under this Agreement and the other Transaction Documents) to any Person except to the extent that such disclosure is necessary to establish that such rights or obligations are in registered form in accordance with Section 5f.103-1(c) of the Treasury Regulations. The entries in each Participant Register shall be conclusive absent manifest error, and Buyer shall treat each Person whose name is recorded in such Participant Register as the owner of the related rights and obligations for all purposes of this Agreement notwithstanding notice to the contrary, subject to the provisions of this Section 18.

(e) Subject to the foregoing, this Agreement and the other Transaction Documents and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Nothing in this Agreement or the other Transaction Documents, express or implied, shall give to any Person, other than the parties to the Transaction Documents and their respective successors and permitted assigns, any benefit or any legal or equitable right, power, remedy or claim under the Transaction Documents.

19. **GOVERNING LAW**

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

20. **NO WAIVERS, ETC.**

No express or implied waiver of any Default or Event of Default by Buyer shall constitute a waiver of any other Default or Event of Default and no exercise of any right or remedy hereunder by Buyer shall constitute a waiver of its right to exercise any other right or remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation of the foregoing, the failure to give a notice pursuant to Section 4(b) hereof will not constitute a waiver of any right to do so at a later date.

21. **USE OF EMPLOYEE PLAN ASSETS**

No plan assets within the meaning of 29 C.F.R. § 2510.3-101, as modified in operation by Section 3(42) of ERISA, or plan assets of any employee benefit plan that is subject to any federal, state or local laws, rules or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (collectively, "Plan Assets") shall be used in connection with any Transaction. If any such assets are intended to be used by either party hereto (the "Plan Party") in the Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA, Section 4975 of the Code or any substantially similar law or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

22. **INTENT**

(a) The parties intend, agree and acknowledge that: (i) each Transaction involving a Purchased Loan with a Repurchase Date less than one year after the Purchase Date qualifies as a "repurchase agreement" as that term is defined in Section 101(47) of the Bankruptcy Code, (ii) each Transaction involving a Purchased Loan qualify as a "securities contract" as that term is defined in Section 741(7) of the Bankruptcy Code, (iii) each payment under this Agreement has been made by, to or for the benefit of a financial institution as defined in section 101(22) of the Bankruptcy Code, a financial participant as defined in section 101(22A) of the Bankruptcy Code or repo participant as defined in section 101(46) of the Bankruptcy Code, (iv) the grant of a security interest set forth in Section 6 hereof to secure the rights of Buyer hereunder also constitutes a "repurchase agreement" (where applicable) as contemplated by Section 101(47)(A)(v) of the Bankruptcy Code and a "securities contract" as contemplated by Section 741(7)(A)(xi) of the Bankruptcy Code and are a part of this Agreement and (v) each of the Purchased Loans shall constitute a "security" as defined in Section 101(49) of the Bankruptcy Code, a mortgage loan or an interest in a mortgage loan. It is further understood that this Agreement is intended to constitute a "master netting agreement" as defined in Section 101(38A) of the Bankruptcy Code, as amended, with respect to each Transaction so constituting a "repurchase agreement" (where applicable), or "securities contract". Each party hereto hereby further agrees that it shall not challenge the

characterization of this Agreement as a "repurchase agreement," "securities contract" and/or "master netting agreement" within the meaning of the Bankruptcy Code.

(b) The parties intend, agree and acknowledge that either party's right to accelerate or terminate this Agreement or to liquidate the Purchased Loans delivered to it in connection with the Transaction hereunder or to exercise any other remedies pursuant to Section 13 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended. It is further understood and agreed that either party's right to cause the termination, liquidation, or acceleration of, or to offset net termination values, payment amounts or other transfer obligations arising under or in connection with, this Agreement or any Transaction hereunder is a contractual right to cause the termination, liquidation, or acceleration of, or to offset net termination values, payment amounts or other transfer obligations arising under or in connection with, this Agreement as described in Section 561 of the Bankruptcy Code.

(c) The parties intend, agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).

(d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation", respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

(e) The parties intend, agree and acknowledge that it is its intent for U.S. federal, state and local income and franchise tax purposes to treat the Transactions as indebtedness of the Seller Parties that is secured by the Purchased Loans, and the Purchased Loans as owned by Sellers for such purposes, and agrees to take no action inconsistent with such treatment, unless required by law, in which case such party shall promptly notify the other party of such requirement.

(f) In light of the intent set forth above in this Section 22, Each Sellers agrees that, from time to time upon the written request of Buyer, such Sellers will execute and deliver any supplements, modifications, addendums or other documents as may be necessary or desirable, in Buyer's sole discretion, in order to cause this Agreement and the Transactions contemplated hereby to qualify for, comply with the provisions of, or otherwise satisfy, maintain or preserve the criteria for safe harbor treatment under the Bankruptcy Code for "repurchase agreements" (where applicable), "securities contracts" and "master netting agreements"; *provided, however, that* Buyer's failure to request, or Buyer's or any Seller's failure to execute, such supplements, modifications, addendums or other documents does not in any way alter or otherwise change the intention of the parties hereto that this Agreement and the Transactions hereunder constitute "repurchase agreements" (where applicable), "securities contracts" and/or a "master netting agreement" as such terms are defined in the Bankruptcy Code.

23. **DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS**

The parties acknowledge that they have been advised that:

(a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder;

(b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and

(c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

24. **CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL**

(a) Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Agreement or relating in any way to this Agreement or any Transaction under this Agreement and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.

(b) To the extent that any party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under this Agreement or relating in any way to this Agreement or any Transaction under this Agreement.

(c) The parties hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consent to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified herein. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 24 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against the other party or its property in the courts of other jurisdictions.

(d) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

25. **NO RELIANCE**

(a) Buyer and each Seller hereby acknowledges, represents and warrants that, in connection with the negotiation of, the entering into, and the performance under, this Agreement and the Transaction Documents and each Transaction hereunder and thereunder:

(i) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the other party to the Transaction Documents, other than the representations expressly set forth in the Transaction Documents;

(ii) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party;

(iii) it is a sophisticated and informed Person that has a full understanding of all the terms, conditions and risks (economic and otherwise) of the Transaction Documents and each Transaction thereunder and is capable of assuming and willing to assume (financially and otherwise) those risks;

(iv) it is entering into the Transaction Documents and each Transaction thereunder for the purposes of managing its borrowings or investments or hedging its underlying assets or liabilities and not for purposes of speculation; and

(v) it is not acting as a fiduciary or financial, investment or commodity trading advisor for the other party and has not given the other party (directly or indirectly through any other Person) any assurance, guaranty or representation whatsoever as to the merits (either legal, regulatory, tax, business, investment, financial accounting or otherwise) of the Transaction Documents or any Transaction thereunder.

(b) Each determination by Buyer of the Market Value with respect to each Purchased Loan or the communication to the Seller Parties of any information pertaining to Market Value under this Agreement shall be subject to the following disclaimers:

(i) Buyer has assumed and relied upon, with the Seller Parties' consent and without independent verification, the accuracy and completeness of the information provided by Seller Parties and reviewed by Buyer. Except as

expressly set forth herein, Buyer has not made any independent inquiry of any aspect of the New Collateral, Purchased Loans or the underlying collateral. Buyer's view is based on economic, market and other conditions as in effect on, and the information made available to Buyer as of, the date of any such determination or communication of information, and such view may change at any time without prior notice to the Seller Parties.

(ii) Market Value determinations and other information provided to the Seller Parties by the Buyer constitute a statement of Buyer's view of the value of one or more loans or other assets at a particular point in time and neither (A) constitute a bid for a particular trade, (B) indicate a willingness on the part of Buyer or any Affiliate thereof to make such a bid, nor (C) reflect a valuation for substantially similar assets at the same or another point in time, or for the same assets at another point in time.

(iii) Market Value determinations and other information provided to the Seller Parties may vary significantly from valuation determinations and other information that may be obtained from other sources.

(iv) Market Value determinations and other information provided to the Seller Parties by the Buyer are communicated to the Seller Parties solely for their use and may not be relied upon by any other person and may not be disclosed or referred to publicly or to any third party without the prior written consent of Buyer, which consent Buyer may withhold or delay in its sole and absolute discretion.

(v) Buyer makes no representations or warranties with respect to any Market Value determinations or other information provided to the Seller Parties by the Buyer. Buyer shall not be liable for any incidental or consequential damages arising out of any inaccuracy in such valuation determinations and other information provided to the Seller Parties by the Buyer, including as a result of any act of gross negligence or breach of any warranty.

(vi) Market Value determinations and other information provided to the Seller Parties by the Buyer in connection therewith are only indicative of the initial Market Value of the Purchased Loan submitted to Buyer for consideration hereunder, and may change without notice to the Seller Parties prior to, or subsequent to, the Purchase Date for the applicable Transaction. No indication is provided as to Buyer's expectation of the future value of such Purchased Loan or the underlying collateral.

(vii) Initial Market Value determinations and other information provided to the Seller Parties by the Buyer in connection therewith are to be used by the Seller Parties for the sole purpose of determining whether to proceed in accordance with Section 3 hereof and for no other purpose.

26. **INDEMNITY**

Each Seller, severally and not jointly, hereby agrees to indemnify, defend and hold harmless Buyer, Buyer's Affiliates, Depository, and each of their respective officers, directors, employees and agents ("Indemnified Parties") from and against any and all liabilities, obligations, actual out-of-pocket losses, actual out-of-pocket damages, actual out-of-pocket penalties, actions, judgments, suits, actual out-of-pocket taxes (including stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement and the Transaction Documents and the documents delivered in connection herewith and therewith, other than income or similar taxes of Buyer), actual out-of-pocket fees, actual out-of-pocket costs, actual out-of-pocket expenses (including reasonable, third-party attorneys fees and disbursements) or disbursements (all of the foregoing, collectively "Indemnified Amounts") which may at any time (including, without limitation, such time as this Agreement, the Transaction Documents shall no longer be in effect and the Transactions shall have been repaid in full) be imposed on or asserted against any Indemnified Party in any way whatsoever arising out of or in connection with, or relating to, this Agreement, the Transaction Documents or any Transactions hereunder or thereunder or any action taken or omitted to be taken by any Indemnified Party under or in connection with any of the foregoing; *provided,* that no Seller shall be liable for Indemnified Amounts resulting from the bad faith, gross negligence or willful misconduct of any Indemnified Party. Without limiting the generality of the foregoing, each Seller agrees to indemnify, defend and hold Buyer and the other Indemnified Parties harmless from and indemnify Buyer and the other Indemnified Parties against all Indemnified Amounts with respect to all Purchased Loans relating to or arising out of any (A) breach of any representation or warranty relating to Environmental Law or Hazardous Materials made by such Seller hereunder or under any Transaction Document or any violation or alleged violation of any Environmental Law or (B) any violation or alleged violation of any consumer credit laws, including without limitation ERISA, the Truth in Lending Act and/or the Real Estate Settlement Procedures Act, except to the extent same results from an Indemnified Party's bad faith, gross negligence or willful misconduct. In any suit, proceeding or action brought by Buyer in connection with any Purchased Loan for any sum owing thereunder, or to enforce any provisions of any Purchased Loan, the applicable Seller will save, indemnify and hold Buyer harmless from and against all actual out-of-pocket costs and expenses (including reasonable attorneys' fees), losses or damages suffered by reason of any defense, set-off, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by any Seller Party of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from a Seller Party. Each Seller also agrees to reimburse Buyer as and when billed by Buyer for (i) all Buyer's actual out-of-pocket costs and expenses incurred in connection with the initial preparation and negotiation of this Agreement and the Transaction Documents and the closing of the transactions contemplated hereby and thereby, including, without limitation, the reasonable out-of-pocket fees and disbursements of its counsel and (ii) all Buyer's actual out-of- pocket expenses incurred in connection with Buyer's due diligence reviews with respect to the Purchased Loans or any loan which is proposed by such Seller as a Purchased Loan, including without limitation, those incurred under Section 27 and the reasonable fees and disbursements of its counsel, subject in all cases under this clause (ii), to the terms and conditions of Section 27. Additionally, each Seller also agrees to reimburse Buyer as and when billed by Buyer for all of Buyer's actual out-of-pocket costs and expenses incurred in connection with the enforcement or

the preservation of Buyer's rights under this Agreement and the Transaction Documents or any Transaction contemplated hereby or thereby, including, without limitation, the reasonable fees and disbursements of its counsel.

27. **DUE DILIGENCE**

(a) Pre-Funding Diligence for Mortgage Loans. No later than the Friday (or the preceding Business Day) that is no less than six (6) Business Days prior to the Purchase Date with respect to New Collateral, the Buyer (or, at the option of the Buyer, the Verification Agent or the Appraisal Review Agent) shall have the opportunity to review and confirm each item in the Preliminary Due Diligence Package with respect to each Mortgage Loan (the "Mortgage Loan Pre-Funding Diligence"), all such items to be delivered by the applicable Seller by posting to the website www.box.com, or through other method of information exchange reasonably acceptable to the Sellers and the Buyer.

(b) Pre-Funding Diligence for Additional Advances. No later than the Friday (or the preceding Business Day) that is no less than six (6) Business Days prior to funding any Additional Advance Date, the Buyer (or, at the option of the Buyer, the Verification Agent or the Appraisal Review Agent) shall have the opportunity to review and confirm each item in the Additional Advance Diligence Package with respect to each Additional Advance (the "Additional Advance Pre-Funding Diligence"), all such items to be delivered by the related Seller by posting to the website www.box.com, or through other method of information exchange reasonably acceptable to the Sellers and the Buyer.

(c) Post-Funding Asset Diligence. The Buyer (or, at the option of the Buyer, the Verification Agent or the Appraisal Review Agent), at the expense of the applicable Seller, shall at any time, have the opportunity to conduct the following diligence with respect to any Purchased Loan:

(i) verify (A) that all recorded legal documents have been received by the Custodian in accordance with the terms of this Agreement and the Custodial Agreement and subject to any cure and/or grace periods provided herein, (B) that the endorsement or allonge in blank to any Mortgage Note, the assignment of Mortgage in blank and the Assignment of Leases, if any, in blank are included in the Loan File and (C) the receipt by the Custodian of any other documents required to be included in the Loan File held by the Custodian that were not previously delivered to the Custodian;

(ii) review the title policy or certificate of lender's title insurance for accuracy and confirm (A) that such title policy insures the first priority lien of the related Mortgage, which lien is subject only to Permitted Encumbrances, (B) the policy is in an amount equal to the principal balance of the Mortgage Loan (or with respect to a Mortgage Loan secured by multiple Mortgaged Properties, an amount equal to at least the allocated loan amount with respect to the title policy for each such Mortgaged Property) and (C) there are no unexpected liens, unexpected judgments or other unexpected

impediments that are senior or co-equal with the lien of the related Mortgage;

(iii) conduct a review of any Purchased Loan to confirm that it complies with the Loan Representations made with respect thereto (as of the date of such Loan Representations and subject to any exceptions thereto);

(iv) verify compliance with the Underwriting Criteria;

(v) review updated valuations or appraisals obtained by the applicable Servicer at the direction of the Buyer given in accordance with the definition of "Mortgaged Property Valuation";

(vi) with respect to any Purchased Loan that is an Investor Bridge Loan, on any date after the one year anniversary of the Purchase Date of such Investor Bridge Loan, review performance reports, current rent rolls and any other information reasonably requested by the Buyer with respect thereto, in form and substance satisfactory to Buyer (or, at the option of Buyer, the Verification Agent); and

(vii) any other due diligence reasonably requested on reasonable advance notice by the Buyer and without additional cost to the applicable Seller.

(d) Facility, Servicer & Seller Party Diligence. The Buyer (or its designee) shall, at the expense of the applicable Seller, have the opportunity to conduct the following diligence:

(i) no more than once per calendar year except following a Diligence Event, audit any Servicer's or any Seller Party's cash controls and operational procedures; and

(ii) at any time following a Diligence Event, conduct a general inspection of any Servicer's or any Seller Party's books and records; *provided, that* any expenses incurred by the Buyer or its designee in connection with any due diligence conducted pursuant to clause (iii) of the definition of "Diligence Event" shall be the sole responsibility of the Buyer.

28. **SERVICING**

(a) Each Seller and Buyer agree that all Servicing Rights with respect to the Purchased Loans will be transferred hereunder to Buyer on the applicable Purchase Date and such Servicing Rights shall be transferred by Buyer to the applicable Seller upon such Seller's payment of the Repurchase Price for such Purchased Loans. Notwithstanding the transfer and pledge of Servicing Rights to Buyer, the applicable Seller shall be entitled to exercise all discretion with respect to any directions or consents to be given to the Servicer of the Purchased Loans (other than Material Modifications of the Purchased Loans) and to appoint a servicer for each Purchased Loan subject to the prior written consent of Buyer, which consent may be given by Buyer in its reasonable discretion; *provided,* however, that upon the occurrence and during the continuance of an Event of Default, each Seller Party's rights to exercise such discretion with respect to the Purchased Loans

shall automatically terminate and be of no further force and effect. Any amendment, modification or termination, or waiver of any term or provision, of any Purchased Loan or Loan Documents constituting a Material Modification shall require Buyer's prior written consent in accordance with Section 7(e) of this Agreement. Buyer hereby agrees that KeyBank National Association ("KeyBank"), or any other third party servicer otherwise approved by Buyer in writing (KeyBank or any such third party servicer, a "Servicer") may service the Purchased Loans for the benefit of Buyer in accordance with the terms and conditions of the servicing agreement in effect for each such Servicer, *provided* that each such Servicing Agreement shall have been approved in writing by Buyer in its sole and absolute discretion applied in good faith and, if Buyer shall exercise its rights to pledge or hypothecate the Purchased Loans pursuant to Section 8, Buyer's assigns (each such servicing agreement that has been approved by Buyer (and, if applicable, Buyer's assigns), a "Servicing Agreement" and, collectively, the "Servicing Agreements"); and *provided*, further, that any such Servicer shall have entered into a Servicer Notice and Agreement substantially in the form of Exhibit IX attached hereto (a "Servicer Notice and Agreement") acknowledging Buyer's interests in the related Purchased Loans and its rights to sell such Purchased Loans on a servicing-released basis, agreeing that it shall deposit all Available Income and any other sums required to be remitted to the holder of the Purchased Loans under the related Loan Documents to the Depository for deposit in the Cash Management Account as set forth in Section 5 hereof or as otherwise directed in a written notice signed by Buyer for so long as such Purchased Loan is subject to this Agreement, and Buyer's right to terminate the term of such servicing rights with respect to any Purchased Loans from and after an Event of Default. Each Seller shall cause the Purchased Loans to be serviced in accordance with Accepted Servicing Practices.

(b) Sellers agrees that Buyer is the owner of all servicing records, including but not limited to any and all Servicing Agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing servicing (collectively, the "Servicing Records") of Purchased Loans so long as the Purchased Loans are subject to this Agreement. Sellers covenant to safeguard all Servicing Records relating to the Purchased Loans (if any are in a Seller Parties' possession) and to deliver them promptly to Buyer or its designee (including the Custodian) at Buyer's request.

(c) Upon the occurrence and during the continuance of an Event of Default, Buyer may, in its sole and absolute discretion, subject to Section 13 and any terms in the applicable Servicing Agreements approved by Buyer (i) sell its rights to any or all of the Purchased Loans on a servicing released basis or (ii) terminate any Servicer or sub-servicer of any or all of the Purchased Loans, with or without cause, in each case without payment of any termination fee. Each Seller shall cause each Servicer to cooperate with Buyer in effecting such termination and transferring all authority to service such Purchased Loans to the successor servicer, including requiring such Servicer to (i) promptly transfer all data in its possession relating to the applicable Purchased Loans to the successor servicer in such electronic format as the successor servicer may reasonably request, (ii) promptly transfer to the successor servicer, Buyer or Buyer's designee, the Loan File and all other files, records, correspondence and documents in its possession relating to the applicable Purchased Loans and (iii) use commercially reasonable efforts to cooperate and coordinate with the successor servicer and/or Buyer to comply with any applicable so-called "goodbye" letter requirements or other applicable requirements of the Real Estate Settlement Procedures Act or other applicable legal or regulatory requirement associated with the transfer of

the servicing of the applicable Purchased Loans. Each Seller agrees that if any Seller Party or any such Servicer fails to cooperate with Buyer or any successor servicer in effecting the termination of such Servicer as servicer of any Purchased Loan or the transfer of all authority to service such Purchased Loan to such successor servicer in accordance with the terms hereof and the Servicing Agreement, Buyer will be irreparably harmed and entitled to injunctive relief.

(d) The payment of servicing fees shall be subordinate to payment of amounts outstanding under any Transaction and this Agreement, other than the payment of Qualified Servicing Expenses.

29. **TAXES**

(a) Transfer taxes, stamp taxes, documentary, filing, recording and all similar costs with respect to the transfer of Collateral or in connection with any of the transactions contemplated by this Agreement and the other Transaction Documents, and the documents delivered in connection herewith and therewith, other than any such taxes and costs that are attributable to an assignment or grant of a participation by Buyer pursuant to Section 18 (but only if no Event of Default has occurred and is continuing), shall be paid by the applicable Seller.

(b) All amounts payable by each Seller Party to Buyer in respect of any transaction under the Transaction Documents shall be paid free and clear of, and without withholding or deduction for, any Taxes, unless the withholding or deduction of such Tax is required by law. In that event, if such Tax is not an Excluded Tax, the applicable Seller shall pay such additional amounts (for purposes of this Section 29, the "Additional Amounts") as will result in the net amounts received by Buyer (after taking account of such withholding or deduction) being equal to such amounts as would have been received by Buyer had no such Tax been required to be withheld or deducted. For purposes of this Agreement, the term "Excluded Tax" shall mean (i) any Taxes imposed on or measured by net income (however denominated), franchise Taxes or branch profits Taxes (A) imposed as a result of Buyer being organized under the laws of, or having its principal office located in, the jurisdiction (or any political subdivision thereof) imposing such Tax or (B) that are Other Connection Taxes; (ii) Taxes that would have not arisen but for the failure of Buyer to comply with the requirements of Section 29(c) or Section 29(d); and (iii) U.S. federal withholding Taxes imposed under FATCA, or any U.S. federal withholding Taxes imposed on amounts payable to or for the account of Buyer pursuant to a law in effect on the date on which Buyer acquires any interest in the Transaction Documents, except to the extent that such amounts with respect to such Taxes were payable to such Buyer's assignor immediately before such Buyer became a party hereto. Each Seller shall indemnify and pay to Buyer, within ten (10) days after demand therefor, the full amount of any Taxes, other than Excluded Taxes, but including Taxes imposed or asserted on or attributable to Additional Amounts payable pursuant to this Section 29(b), payable or paid by Buyer or required to be withheld or deducted from a payment to Buyer and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the applicable Seller shall be conclusive absent manifest error. As soon as practicable after any payment of Taxes by a Seller to a Governmental Authority pursuant to this Section 29(b), such Seller shall deliver to Buyer the original or a certified copy of a receipt issued by such Governmental Authority evidencing such

payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Buyer.

(c) (i) Any Buyer that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Transaction Document shall deliver to the applicable Seller, at the time or times reasonably requested by such Seller, such properly completed and executed documentation reasonably requested by such Seller as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, Buyer, if reasonably requested by such Seller, shall deliver such other documentation prescribed by applicable law or reasonably requested by such Seller as will enable such Seller to determine whether or not Buyer is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 29(c)(ii) and 29(d) below) shall not be required if in Buyer's reasonable judgment such completion, execution or submission would subject Buyer to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of Buyer.

(ii) Without limiting the generality of the foregoing, on or before the date hereof, on or before the date such Person becomes a party to this Agreement or a participant, as applicable, and at the reasonable request of any Seller, Buyer and each assignee of Buyer will provide to such Seller two copies of, as applicable, a properly completed and duly executed United States Internal Revenue Service form W-9, W-8BEN, W-8BEN-E, W-8ECI, or W-8IMY (or successor form) (with applicable attachments, including, in the case of a Person claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, a certificate reasonably satisfactory to such Seller to the effect that such Person is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of such Seller within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (the "Portfolio Interest Certificate")). In addition, Buyer shall, to the extent it is legally entitled to do so, deliver to such Seller (in such number of copies as shall be requested by such Seller) on or prior to the date on which such Buyer becomes a Buyer under this Agreement (and from time to time thereafter upon the reasonable request of such Seller), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit such Seller to determine the withholding or deduction required to be made. Buyer shall provide to such Seller a properly executed United States Internal Revenue Service Form W-9, dated on or before the Closing Date, evidencing a complete exemption from withholding or deduction of Tax from amounts payable by such Seller to Buyer under the Transaction Documents pursuant to applicable laws in effect on the Closing Date. Each Seller shall provide to Buyer a properly executed United States Internal Revenue Service Form W-9 or other applicable forms as described by the United States Internal Revenue

Service, dated on or before the Closing Date, evidencing a complete exemption from withholding or deduction of Tax from amounts payable by Buyer to any Seller under the Transaction Documents pursuant to applicable laws in effect on the Closing Date. Each party hereto agrees to notify the other party of any circumstance known to it that causes a certificate or document provided by it pursuant to this Section 29(c) to fail to be true and to provide two copies of a properly completed and duly executed updated form and, if applicable, a Portfolio Interest Certificate, upon any previously delivered form becoming invalid, obsolete or inaccurate.

(d) If a payment made to Buyer under any Transaction Document would be subject to U.S. federal withholding Tax imposed by FATCA if Buyer were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), Buyer shall deliver to any Seller at the time or times prescribed by law and at such time or times reasonably requested by such Seller such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by such Seller as may be necessary for such Seller to comply with its obligations under FATCA and to determine that Buyer has complied with Buyer's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 29(d), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(e) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 29 (including by the payment of additional amounts pursuant to this Section 29), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(f) Each party's obligations under this Section 29 shall survive any assignment of rights by Buyer, the termination of this Agreement and the repurchase or release of any or all of the Purchased Loans.

30. **MISCELLANEOUS**

(a) All rights, remedies and powers of Buyer hereunder and in connection herewith are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all other rights, remedies and powers of Buyer whether under law, equity or agreement. In addition to the rights and remedies granted to it in this Agreement, to the extent this Agreement is determined to create a security interest, Buyer shall have all rights and remedies of a secured party under the UCC.

(b) This Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

(c) The headings in this Agreement are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

(d) Without limiting the rights and remedies of Buyer under this Agreement or the other Transaction Documents, Sellers shall pay Buyer's actual out-of-pocket costs and expenses, including reasonable fees and expenses of accountants, attorneys and advisors, incurred in connection with the preparation, negotiation, execution and consummation of and any amendment, supplement or modification to, this Agreement and/or the other Transaction Documents and the Transactions thereunder. Each Seller agrees to pay Buyer on demand all actual out-of-pocket costs and expenses (including reasonable expenses for legal services of every kind) of any subsequent enforcement of any of the provisions of this Agreement and/or the other Transaction Documents, or of the performance by Buyer of any obligations of the Seller Parties in respect of the Purchased Loans, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of the Collateral and for the custody, care or preservation of the Collateral (including insurance costs) and defending or asserting rights and claims of Buyer in respect thereof, by litigation or otherwise. In addition, each Seller agrees to pay Buyer on demand all actual out-of-pocket costs and expenses (including reasonable expenses for legal services) incurred in connection with the maintenance of the Cash Management Account. All such expenses shall be several but not joint recourse obligations of each Seller to Buyer under this Agreement.

(e) Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or be invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(f) This Agreement together with the Transaction Documents contain a final and complete integration of all prior expressions by the parties with respect to the subject matter hereof and thereof and shall constitute the entire agreement among the parties with respect to such subject matter, superseding all prior oral or written understandings.

(g) The parties understand that this Agreement is a legally binding agreement that may affect such party's rights. Each party represents to the other that it has received legal advice from

counsel of its choice regarding the meaning and legal significance of this Agreement and that it is satisfied with its legal counsel and the advice received from it.

(h) Should any provision of this Agreement require judicial interpretation, it is agreed that a court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against any Person by reason of the rule of construction that a document is to be construed more strictly against the Person who itself or through its agent prepared the same, it being agreed that all parties have participated in the preparation of this Agreement.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day first written above.

READYCAP COMMERCIAL, LLC, a Delaware limited liability company, as a Seller

By:/s/ Andrew Ahlborn
Name: Andrew Ahlborn
Title: Authorized Person

SUTHERLAND WAREHOUSE TRUST II, a Delaware statutory trust, as a Seller

By: **WATERFALL ASSET MANAGEMENT, LLC**, not in its individual capacity but solely as Trust's Agent

By:/s/ Andrew Ahlborn
Name: Andrew Ahlborn
Title: Authorized Signatory

SUTHERLAND ASSET I, LLC, a Delaware limited liability company, as a Seller

By: **SUTHERLAND PARTNERS, LP**, not in its individual capacity but solely as managing member

By: **READY CAPITAL CORPORATION**, not in its individual capacity but solely as general partner

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

[*Signature pages continue on next page*]

READY CAPITAL SUBSIDIARY REIT I, LLC, a Delaware limited liability company, as a Seller

By:/s/ Andrew Ahlborn
Name: Andrew Ahlborn
Title: Authorized Person

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity but solely as Depository and Paying Agent

By:/s/ Matthew M. Smith
Name: Matthew M. Smith
Title: Vice President

[*Signature pages continue on next page*]

BUYER:

DEUTSCHE BANK AG, NEW YORK BRANCH

By:/s/ Brendon Girardi
Name: Brendon Girardi
Title: Director

By:/s/ Timur Otunchiev
Name: Timur Otunchiev
Title: Director

Exhibit 10.12
Execution Version

THIRD AMENDED AND RESTATED GUARANTY

THIS THIRD AMENDED AND RESTATED GUARANTY dated as of November 7, 2019, (as amended, supplemented and otherwise modified from time to time, this "Guaranty"), is made by Sutherland Partners, L.P. (f/k/a ZAIS Financial Partners, L.P.) (the "Guarantor") in favor of Deutsche Bank AG, New York Branch.

RECITALS

A. ReadyCap Commercial, LLC, a Delaware limited liability company ("ReadyCap"), Ready Capital Subsidiary REIT I, LLC, a Delaware limited liability company ("Ready REIT"), Sutherland Warehouse Trust II, a Delaware statutory trust ("Sutherland Trust II"), Sutherland Asset I, LLC, a Delaware limited liability company ("Sutherland", and together with Ready REIT, ReadyCap, Sutherland Trust II and any other Seller that may become a party to the Repurchase Agreement from time to time in accordance with the provisions thereof, collectively, the "Sellers", and the Sellers together with the Guarantor, collectively, the "Seller Parties"), U.S. Bank National Association, as Depository and Paying Agent, and Buyer are entering into that certain Fourth Amended and Restated Master Repurchase Agreement, dated as of the date hereof (as amended, modified and/or restated from time to time, the "Repurchase Agreement"), pursuant to which Buyer may enter into Transactions with respect to Purchased Loans (as defined in the Repurchase Agreement) with the Sellers with a simultaneous agreement from the Sellers to repurchase such Purchased Loans, at a date certain or on demand (the "Transactions");

B. Buyer and Sutherland Partners, L.P. have previously entered into that Second Amended and Restated Guaranty dated as of October 31, 2016 (the "Existing Guaranty"), whose terms shall be superseded in their entirety in accordance with the terms hereof;

C. Buyer has requested, as a condition of entering into the Repurchase Agreement, that Guarantor deliver to Buyer this Guaranty; and

D. Guarantor is an Affiliate (as defined in the Repurchase Agreement) of each Seller and directly or indirectly controls each Seller.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agrees as follows:

1. Definitions. Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Guaranty, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms. Capitalized terms not defined herein shall have the meanings used in the Repurchase Agreement. The word "including" and its variations shall mean "including without limitation." All references in this Guaranty to designated "Sections," "Subsections" and other subdivisions are to the designated Sections, Subsections and other subdivisions of this Guaranty as originally executed. The words "herein," "hereof," "hereunder" and other words of similar import refer to this Guaranty as a whole and not to any particular Section, Subsection or other subdivision.

"Adjusted Tangible Net Worth": For any Person, Net Worth minus (a) restricted cash (other than any portion of restricted cash that has a corresponding offsetting current liability); (b) 25% of investment securities that are rated below BBB by S&P or the equivalent thereof (other than ownership interests in any Affiliate) and (c) all intangible assets, including goodwill, patents, tradenames, trademarks, copyrights, franchises, any organizational expenses, deferred taxes and expenses, prepaid expenses, prepaid assets, receivables from shareholders, Affiliates or employees, mortgage servicing rights, mortgage servicing advances and any other asset as shown as an intangible asset on the balance sheet of such Person on a consolidated basis as determined at a particular date in accordance with GAAP (other than any portion of such assets that has a corresponding offsetting current liability).

"Cash Liquidity": As of any date of determination, an amount equal to the sum of (i) Cash and cash equivalents available to the Guarantor as of such date of determination and (ii) the amount of Cash and cash equivalents on deposit in the Cash Management Account as of such date of determination.

"Cumulative Loss Percentage": With respect to any Excluded Indebtedness, the percentage, as of any date of determination, resulting from the ratio of (i) the cumulative amount of "Realized Losses" (as such term, or similar term, is defined pursuant to the terms of the applicable Excluded Indebtedness) incurred by the assets securing such Excluded Indebtedness through such date of determination divided by (ii) the aggregate unpaid principal balance of all assets securing such Excluded Indebtedness at issuance.

"Debt": Total liabilities as determined in accordance with GAAP.

"Debt-to-Assets Ratio": The percentage, as of any date of determination, resulting from the ratio of (i) (A) Debt minus (B) Excluded Indebtedness divided by (ii) the sum of (x) Total Assets net of any assets relating to Excluded Indebtedness, plus (y) 35% of any Net Equity Interests relating to Excluded Indebtedness with respect to which the Cumulative Loss Percentage is greater than or equal to 1% but less than 3% and (z) 50% of any Net Equity Interests relating to Excluded Indebtedness with respect to which the Cumulative Loss Percentage is less than 1%, *provided* that, for the avoidance of doubt, no Net Equity Interests shall be included in the determination of this clause (ii) to the extent such Net Equity Interests relate to Excluded Indebtedness with respect to which the Cumulative Loss Percentage is greater than 3%.

"Disqualified Equity Interests": Any Equity Interest which, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (i) matures or is mandatorily redeemable (other than solely for Equity Interests which are not otherwise Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (ii) is redeemable at the option of the holder thereof (other than solely for Equity Interests which are not otherwise Disqualified Equity Interests), in whole or in part or (iii) provides for scheduled payments or dividends in cash, or (iv) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the Facility Termination Date.

"Equity Interests": Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"Excluded Indebtedness": Indebtedness included in the Guarantor's financial statements in accordance with GAAP but which none of the Guarantor or its subsidiaries (other than subsidiaries that are CDOs or other securitization entities) is obligated to pay, including all CDOs or other securitization vehicles that are consolidated in accordance with GAAP.

"Existing Guaranty": The meaning assigned in the recitals hereto.

"Government-Sponsored Enterprise": Each of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association.

"Guarantied Obligations": the Seller Parties' obligations to fully and promptly pay all sums owed to Buyer under the Repurchase Agreement, the Letter Agreement, and the other Transaction Documents and to Buyer and any Affiliated Hedge Counterparties under any Approved Hedging Transactions with Affiliated Hedge Counterparties, at the times and according to the terms required by the Transaction Documents or the applicable Approved Hedging Transaction documents, as applicable, including the Repurchase Price for each Purchased Loan, accrued interest, default interest, indemnity amounts, costs, or fees (including any such interest, costs or fees arising from and after the filing of an Insolvency Proceeding against the Seller Parties or either of them), without regard to any modification, suspension, or limitation of such terms not agreed to by Buyer, such as a modification, suspension, or limitation arising in or pursuant to any Insolvency Proceeding affecting any Seller Party (even if any such modification, suspension, or limitation causes such Seller Party's obligation to become discharged or unenforceable, and in the case of an Insolvency Proceeding against the Seller Parties or either of them, even if such modification was made with Buyer's consent or agreement).

"Indebtedness": As applied to any Person, without duplication, (i) all indebtedness for borrowed money; (ii) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with GAAP; (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money; (iv) any obligation owed for all or any part of the deferred purchase price of property or services, including any earn-out obligations (excluding any such obligations incurred under ERISA), which purchase price is evidenced by a note or similar written instrument; (v) all indebtedness secured by any lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person; (vi) the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (vii) Disqualified Equity Interests, (viii) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another that would otherwise be "Indebtedness" for purposes of this definition; (ix) any obligation of such Person the primary

purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor that would otherwise be "Indebtedness" for purposes of this definition thereof shall be paid or discharged, or any agreement relating thereto shall be complied with, or the holders thereof shall be protected (in whole or in part) against loss in respect thereof; (x) any liability of such Person for any Indebtedness of another through any agreement (contingent or otherwise) (a) to purchase, repurchase or otherwise acquire such Indebtedness or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (b) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (a) or (b) of this clause (x), the primary purpose or intent thereof is as described in clause (ix) above; and (xi) all obligations (the amount of which shall be determined on a net basis where permitted in the relevant contract) of such Person in respect of any exchange traded or over the counter derivative transaction, including any interest rate swap and any currency swap, in each case, whether entered into for hedging or speculative purposes.

"Liquidity": As of any date of determination, an amount equal to the sum of (i) Cash Liquidity available to the Guarantor as of such date of determination, (ii) an amount equal to 75% of the undrawn but available capacity under all working capital or revolving credit facilities maintained by the Guarantor, as determined by, and if acceptable to, the Buyer in its reasonable discretion and (iii) an amount equal to 50% of the value of all liquid investment-grade commercial-mortgage-backed securities held by the Guarantor, as determined by, and if acceptable to, the Buyer in its reasonable discretion.

"Net Equity Interest": With respect to any Excluded Indebtedness, as of any date of determination, an amount equal to (i) the unpaid principal balance of all assets securing such Excluded Indebtedness as of such date of determination minus (ii) the aggregate outstanding principal balance of such Excluded Indebtedness as of such date of determination.

"Net Worth": With respect to any Person, the excess of total assets of such Person, over total liabilities of such Person, determined in accordance with GAAP.

"Non-Recourse Indebtedness": With respect to any specified Person or any of its Affiliates, Indebtedness that is (A) specifically advanced to finance the acquisition of investment assets and secured only by the assets to which such Indebtedness relates without recourse to such Person or any of its Affiliates (other than subject to such customary carve-out matters for which such Person or its Affiliates acts as a guarantor in connection with such Indebtedness, such as fraud, misappropriation, breach of representation and warranty and misapplication, unless, until and for so long as a claim for payment or performance has been made thereunder (which has not been satisfied) at which time the obligations with respect to any such customary carve-out shall not be considered Non-Recourse Indebtedness, to the extent that such claim is a liability of such Person for GAAP purposes) or (B) secured by (i) bonds, debentures, treasury bills, notes or other securities issued by the government of the United States of America or (ii) Qualified GSE Securities.

"Qualified GSE Securities": Any certificates, notes or other securities that are (i) issued and guaranteed by a Government-Sponsored Enterprise and (ii) secured by one or more pools of mortgage loans acquired by such Government-Sponsored Enterprise; for the avoidance of

doubt, Qualified GSE Securities shall not include any collateralized mortgage obligations, collateralized debt obligations, credit default swaps, forward contracts, futures contracts, options or any other derivative issued by a Government-Sponsored Enterprise.

"Recourse Indebtedness": All Indebtedness other than Non-Recourse Indebtedness and Securitization Indebtedness.

"Securitization": A public or private transfer, sale or financing of (i) servicing advances, (ii) mortgage loans, (iii) installment contracts, (iv) other loans and related assets or (v) any other receivables (clauses (i) – (v) above, collectively, the "Securitization Assets") by which any Seller Party or any of their respective Affiliates directly or indirectly securitizes a pool of specified Securitization Assets including, without limitation, any such transaction involving the sale of specified servicing advances or mortgage loans to a Securitization Entity.

"Securitization Entity": (i) Any Person (whether or not an Affiliate of the Guarantor) established for the purpose of issuing asset-backed or mortgaged-backed or mortgage pass-through securities of any kind (including collateralized mortgage obligations and net interest margin securities) and (ii) any special purpose entity established for the purpose of selling, depositing or contributing Securitization Assets into a Person described in clause (i) or holding securities in any related Securitization Entity, regardless of whether such person is an issuer of securities; *provided* that such Person is not an obligor with respect to any Indebtedness of the Guarantor.

"Securitization Indebtedness": (i) Indebtedness of the Guarantor or any of its respective Affiliates incurred pursuant to on-balance sheet Securitizations and (ii) any Indebtedness consisting of advances made to the Guarantor or any of its Affiliates based upon securities issued by a Securitization Entity pursuant to a Securitization and acquired or retained by the Guarantor or any of its respective Affiliates.

"Tangible Net Worth": As of any date of determination and with respect to any Seller Party, the excess of total assets (net of goodwill and intangible assets) over total liabilities on such date, calculated in accordance with GAAP, as reported on such party's most recently delivered financial statements, *provided* that notwithstanding anything to the contrary in the foregoing, a Person's "Tangible Net Worth" as of any date of determination shall include an amount equal to 75% of the fair value of any residential agency mortgage servicing rights owned by such Person as of such date of determination.

"Total Assets": Total assets determined in accordance with GAAP.

2. Guaranty. Guarantor hereby unconditionally and irrevocably guarantees to Buyer the prompt and complete payment and performance by the Seller Parties when due (whether at the stated maturity, by acceleration or otherwise) of the Guarantied Obligations. All assets and property of Guarantor shall be subject to recourse if Guarantor fails to pay any Guarantied Obligation(s) when and as required to be paid pursuant to the Transaction Documents.

In addition to the foregoing, the Guarantor hereby absolutely, irrevocably and unconditionally guarantees to the Buyer any actual loss, damage, cost, expense, liability, claim or other obligation incurred directly or indirectly by Buyer (including reasonable and documented

out-of-pocket fees and expenses of external counsel to the Buyer) but, in each case under this clause, only to the extent arising out of or in connection with: (i) fraud, misrepresentation, malfeasance, misconduct or bad faith, misapplication, misappropriation or conversion of funds, criminal acts, or the wrongful removal or destruction of the Collateral by any Seller Party in connection with the Repurchase Agreement or any other Transaction Document to which such Seller Party is a party, (ii) the commencement by any Seller Party, or the filing by any Seller Party of any pleading or document with a court in support of the commencement of, any case under any applicable state or federal bankruptcy, insolvency or other similar law with respect to any Seller Party, (iii) the breach in any material respect by any Seller Party at any time on or after the Closing Date of any of the representations and warranties made by it that are contained in the Repurchase Agreement or any other Transaction Document or (iv) any action, suit or proceeding, arbitration or governmental investigation arising out of, or in connection with, any Purchased Loan, any Mortgagor, any guarantor, or any Affiliate of any Mortgagor or guarantor, other than in connection with the enforcement of the related Loan Documents by the Seller Parties.

It is expressly understood that this is a continuing guaranty and that the Guarantor's obligations under this Guaranty shall not be affected by the genuineness, validity, regularity, or enforceability of the obligations of the Seller Parties under the Transaction Documents (the "Obligations") or of any agreement or instrument evidencing the Obligations, or by the validity, enforceability, or perfection of any security interest against, or the nature or extent of, any collateral for the Obligations, or by any amendment of the Repurchase Agreement or any other Transaction Document to which the Obligations relate, or by any other circumstance relating to the Obligations (including a bankruptcy proceeding involving any Seller Party as debtor) which might otherwise constitute a discharge of, or defense to, the Obligations or this Guaranty. This is a guaranty of payment and not of collection and the Buyer shall not be obligated to file any claim relating to the Obligations if a Seller Party becomes subject to a bankruptcy, reorganization, or similar proceeding and the failure of the Buyer so to file shall not affect the Guarantor's obligations hereunder.

3. Expenses. The Guarantor shall pay on demand all reasonable and documented out-of-pocket expenses (including the reasonable and documented out-of-pocket fees and expenses of external counsel to the Buyer) incurred in the enforcement or protection of the rights of the Buyer under this Guaranty, which out-of-pocket expenses shall not be subject to any cap.

4. Continuing Agreement. This Guaranty shall remain in full force and effect and be binding upon the Guarantor and its successors and permitted assigns until one year and one day following the Facility Termination Date and all of the Seller Parties' obligations under the Repurchase Agreement and the other Transaction Documents have been satisfied.

5. No Waiver: Cumulative Rights. No failure on the part of the Buyer to exercise, and no delay in exercising, any right, remedy, or power under this Guaranty shall operate as a waiver thereof, nor shall any single or partial exercise by the Buyer of any right, remedy, or power hereunder preclude any other or future exercise of any right, remedy, or power. Each and every right, remedy and power hereby granted to the Buyer or allowed it by law or other agreement with the Guarantor, shall be cumulative and not exclusive of any other and may be exercised by the Buyer from time to time.

6. Waiver of Notice. Except as expressly required herein, the Guarantor waives notice of the acceptance of this Guaranty, presentment to, or demand of, payment from anyone liable for any of the obligations, notice of dishonor or non-payment, protest, diligence, suit, notice of any sale of any Collateral, notice of the taking of any action by the Buyer against the Seller Parties or others and all other notices that may otherwise be required by law.

7. Representations and Warranties. The Guarantor hereby makes the following representations and warranties to the Buyer as of the date hereof:

(a) The Guarantor is (i) duly organized and validly existing under the laws of the jurisdiction of its organization and, if relevant under such laws, in good standing and has full power and authority to execute, deliver, and perform this Guaranty and (ii) duly qualified to do business in all jurisdictions necessary.

(b) The execution, delivery, and performance of this Guaranty have been and remain duly authorized by all necessary action and do not contravene any provision of the Guarantor's constitutive documents, as amended to date, or any law, regulation, rule, decree, order, judgment, or contractual restriction binding on the Guarantor or its assets. There is no material litigation pending against the Guarantor before any Governmental Authority (i) asserting the invalidity of this Guaranty or (ii) seeking any determination or ruling that could be reasonably likely to have a material adverse effect on the Guarantor's ability to perform under this Guaranty.

(c) All consents, licenses, authorizations, and approvals of, and registrations and declarations with, any governmental authority or regulatory body necessary for the due execution, delivery, and performance of this Guaranty have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required in connection with the execution, delivery, or performance of this Guaranty.

(d) This Guaranty constitutes the legal, valid, and binding obligation of the Guarantor and is enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, conservatorship, receivership, and other laws of general applicability relating to, or affecting, creditors' rights and, subject as to enforceability, to equitable principles of general application.

(e) Guarantor is not and has never been the subject of any case under any applicable state or federal bankruptcy, insolvency or other similar law. Guarantor is solvent and will not be rendered insolvent by the transactions contemplated hereby. Guarantor does not intend to incur, nor does it believe that it has incurred, debts beyond its ability to pay such debts as they mature and is not contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of such entity or any of its assets.

(f) Guarantor has complied in all material respects with all laws, statutes, rules, regulations of any Governmental Authority applicable to Guarantor.

(g) There has been no material adverse change in the business, operations, financial condition, properties or prospects of Guarantor since June 30, 2019.

(h) Guarantor is not required to register as an "investment company", or as a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(i) Guarantor is not and is not acting on behalf of an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), any other employee benefit plan that is subject to any law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or an entity deemed to hold the plan assets of any of the foregoing pursuant to 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise.

8. Covenants of Guarantor. Guarantor hereby covenants and agrees that:

(a) Guarantor shall (i) preserve and maintain its legal existence, (ii) qualify and remain qualified in good standing in the jurisdiction in which it is organized, and (iii) comply with its certificate of formation and by-laws.

(b) At all times during the term of this Guaranty, Guarantor will promptly, and in any event within ten (10) days after service of process on any of the following, give to the Buyer notice of all litigation, actions, suits, or other legal proceedings affecting Guarantor that (i) questions or challenges the validity or enforceability of this Guaranty or (ii) which, individually or in the aggregate, if adversely determined, could be reasonably likely to have a material adverse effect on the Guarantor's ability to perform under this Guaranty.

(c) Guarantor will not enter into transactions, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Seller Party unless the transaction is (i) in the ordinary course of Guarantor's business and (ii) upon fair and reasonable terms no less favorable to Guarantor than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

(d) Guarantor shall not institute against any other Seller Party any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

(e) The Guarantor shall provide to Buyer and the Verification Agent, as soon as available, and in any event within 90 days after the end of each fiscal year of the Guarantor, audited financial statements of the Guarantor for such fiscal year.

(f) The Guarantor shall compile and provide to Buyer and the Verification Agent, as soon as available and in any event no later than forty-five (45) Business Days following the end of each calendar quarter, (i) quarterly financial statements for such calendar quarter, (ii) a calculation of all amounts required to be determined with respect to the Financial Covenants as of the related Pricing Rate Determination Date for the final calendar month of such calendar quarter, (iii) a certificate of an Authorized Officer of the Guarantor setting forth the Cumulative Loss Percentage as of the end of such calendar quarter and confirming that the Guarantor continues to comply with the representations, warranties and covenants set forth herein and (iv) any other

reports reasonably requested by Buyer and generated in the ordinary course of business of the Guarantor.

(g) The Adjusted Tangible Net Worth as set forth on the most recent financial statement of the Guarantor shall not decline by more than (i) 25% in any calendar quarter, (ii) 35% in any calendar year, or (iii) 50% from the highest Adjusted Tangible Net Worth of the Guarantor set forth in its most recent audited financial statements.

(h) The Guarantor shall maintain Liquidity in an amount no less than the greater of (i) $5,000,000 and (ii) 3% of the sum of (A) any outstanding Recourse Indebtedness plus (B) the Aggregate Repurchase Price; *provided*, *however*, that no less than two-thirds of the Liquidity maintained by the Guarantor to satisfy this paragraph (h) shall be Cash Liquidity.

(i) The Guarantor shall maintain a Debt-to-Assets Ratio no greater than 80%.

(j) The Guarantor shall maintain Tangible Net Worth in an amount at least equal to the sum of (i) the product of (A) 1/15th and (B) the amount of all Non-Recourse Indebtedness (excluding the Aggregate Repurchase Price) and the amount of other Securitization Indebtedness, in each case, held by entities other than Affiliates of the Guarantor plus (ii) the product of (A) 1/3rd and (B) the sum of (x) the Aggregate Repurchase Price and (y) all Recourse Indebtedness (the covenants in paragraphs (g), (h), (i) and (j) shall collectively be referred to as the "Financial Covenants").

(k) Guarantor shall provide written notice to Buyer upon the occurrence of (i) any change to its name, jurisdiction of organization or taxpayer identification number or (ii) any reorganization resulting in the Guarantor no longer being organized as a corporation.

(l) Guarantor agrees that should SAMC or any of its direct or indirect subsidiaries enter into any financing agreement or other credit facility with respect to small business loans or mortgage loans with any Person other than Buyer or an Affiliate of Buyer which by its terms provides more favorable terms to Buyer with respect to any financial covenants set forth in Section 9 hereof or any substantially similar covenants (a "More Favorable Agreement"), the terms of this Guaranty shall be deemed automatically amended to include such more favorable terms contained in such More Favorable Agreement; *provided*, that in the event that such More Favorable Agreement is terminated, upon notice by the Guarantor to the Buyer of such termination, the original terms of this Guaranty shall be deemed to be automatically reinstated. The Guarantor further agrees to execute and deliver any new guaranties, agreements or amendments to this Guaranty evidencing such provisions, *provided* that the execution of such amendment shall not be a precondition to the effectiveness of such amendment, but shall merely be for the convenience of the parties hereto. Promptly upon Guarantor or any of its Affiliates entering into a financing agreement or other credit facility with respect to assets similar to the Mortgage Loans with any Person other than the Buyer or an Affiliate of the Buyer, the Guarantor shall deliver to the Buyer (x) a true, correct and complete copy of such financing documentation (excluding pricing terms) or (y) to the extent the Guarantor is prohibited from delivering any such document pursuant to a confidentiality agreement with such Person, to the fullest extent permitted pursuant to such confidentiality agreement, a certificate of the Guarantor setting forth the terms of any financial covenants or substantially similar terms thereof.

(m) Guarantor will not become and will not act on behalf of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code, any other employee benefit plan that is subject to any law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or an entity deemed to hold the plan assets of any of the foregoing pursuant to 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise.

9. Events of Default. Notwithstanding anything to the contrary in the Repurchase Agreement, each of the following events shall constitute an event of default under the Repurchase Agreement (each, an "Event of Default"):

(a) the issuance by a Governmental Authority of an order or decree to wind- up or liquidate the affairs of the Guarantor or the property of the Guarantor, which decree or order shall remain unstayed and in effect for a period of ninety (90) consecutive days; and

(b) the failure of the Guarantor to comply with any material covenant contained herein, which such failure remains unremedied more than ten (10) days (except if such default or breach is curable and the Guarantor diligently attempts to cure such default, and such default or breach continues for thirty (30) days).

10. No Subrogation. Notwithstanding any payment or payments made by Guarantor hereunder or any set-off or application of funds of Guarantor by the Buyer or any of its Affiliates, Guarantor shall not be entitled to be subrogated to any of the rights of Buyer against any Seller Party or any collateral security or guarantee or right of offset held by Buyer for the payment of the Guarantor's obligations under this Guaranty, nor shall Guarantor seek or be entitled to seek any contribution or reimbursement from any other Seller Party in respect of payments made by Guarantor hereunder, until one year and one day following the Facility Termination Date under the Repurchase Agreement and all of the Seller Parties' obligations under the Repurchase Agreement and the other Transaction Documents have been satisfied. If any amount shall be paid to Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid and satisfied in full, such amount shall be held by Guarantor in trust for the Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to the Buyer in the exact form received by Guarantor (duly indorsed by Guarantor to Buyer, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Buyer may determine.

11. Waiver of Rights. Except as otherwise expressly provided herein, Guarantor waives any and all notice of any kind including, without limitation, notice of the creation, renewal, extension or accrual of any of the Obligations, and notice of or proof of reliance by the Buyer upon this Guaranty or acceptance of this Guaranty; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guaranty; and all dealings between any Seller Party, on the one hand, and Buyer, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon any Seller Party with respect to the Obligations or Guarantor with respect to the Guarantor's obligations under this

Guaranty. In addition, Guarantor waives any requirement that Buyer exhaust any right, power or remedy or proceed against any Seller Party.

12. Recapture of Certain Payments. Guarantor further agrees that, to the extent that the Guarantor makes a payment or payments to the Buyer, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Guarantor or their respective estate, trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, this Guaranty and the advances or part thereof which have been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred.

13. Assignment. The rights and obligations of the Guarantor under this Guaranty shall not be assigned by the Guarantor without the prior written consent of the Buyer, except that any person into which the Guarantor may be merged or consolidated, or any person resulting from any merger, conversion or consolidation to which the Guarantor is a party, or any person succeeding to all or substantially all of the business of the Guarantor, shall be the successor to the Guarantor hereunder and shall comply with all obligations of the Guarantor arising under this Guaranty. Subject to the foregoing, this Guaranty shall bind and inure to the benefit of and be enforceable by the Guarantor and the Buyer, and their respective successors and permitted assigns.

14. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL. THIS GUARANTY SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAWS, WHICH SHALL APPLY HERETO), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. WITH RESPECT TO ANY SUIT, ACTION, CLAIM, OR PROCEEDINGS RELATING TO THIS GUARANTY ("PROCEEDINGS"), THE GUARANTOR IRREVOCABLY: (I) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK; (II) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDINGS BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT SUCH PROCEEDINGS HAVE BEEN BROUGHT IN AN INCONVENIENT FORUM, AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDINGS, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY; AND (III) TO THE EXTENT PERMITTED BY APPLICABLE LAW, WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY.

15. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered to or mailed, by registered mail, postage prepaid, by overnight mail or courier service, or transmitted by facsimile and confirmed by similar mailed writing, if to the Buyer, addressed to the Buyer at 60 Wall Street, 5th Floor, New York, New York 10005, Attention: Timur Otunchiev, or such other address as may be designated by the Buyer to the Guarantor in writing, or, if to the Guarantor, addressed to the

Guarantor at 1251 Avenue of the Americas, 50th Floor New York, NY 10020, Attention: Andrew Ahlborn, Email: AAhlborn@waterfallam.com, Facsimile: 212-257-4699, or such other address as may be designated by the Guarantor to the Buyer in writing.

16. Miscellaneous.

(a) Amendments. Any amendment, modification, or waiver of any term or provision of this Guaranty shall be in writing and shall be signed by the Guarantor and the Buyer.

(b) Headings. The headings of this Guaranty are for convenience of reference only and shall not affect the meaning or construction of any provision hereof.

(c) Entire Agreement. This Guaranty contains the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

(d) Counterparts. This Guaranty may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

(e) Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation, other than the parties hereto, any right, remedy or claim by reason of this Guaranty or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

17. Restatement. This Guaranty amends and restates in its entirety, as of the date hereof, the Existing Guaranty. Upon the effectiveness of this Guaranty, each reference to the Existing Guaranty in any other document, instrument or agreement shall mean and be a reference to this Guaranty. Nothing contained herein, unless expressly herein stated to the contrary, is intended to amend, modify or otherwise affect any other instrument, document or agreement executed and/or delivered in connection with the Existing Guaranty.

[Signature pages follow]

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered by the Guarantor to the Buyer as of the date first above written.

SUTHERLAND PARTNERS, L.P.

By: **READY CAPITAL CORPORATION**, not in its individual capacity but solely as general partner

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

Acknowledged and agreed to:

DEUTSCHE BANK AG, NEW YORK BRANCH

By: /s/ Brendon Girardi
Name: Brendon Girardi
Title: Director

By: /s/ Timur Otunchiev
Name: Timur Otunchiev
Title: Director

Exhibit 21.1

Subsidiaries	Jurisdiction
Brannan Island, LLC	California
Broadway & Commerce, LLC	Washington
Cascade RE, LLC	Vermont
Ebusiness Funding, LLC	Delaware
GMFS LLC	Delaware
Knight Capital, LLC	Delaware
Knight Capital Funding I, LLC	Delaware
Knight Capital Funding II, LLC	Delaware
Knight Capital Funding III, LLC	Delaware
Knight Capital Funding SPV LLC	Delaware
Knight Capital Funding SPV III, LLC	Delaware
Ocrio LLC	California
RC Knight Holdings, LLC	Delaware
RC-Triad Grantor Trust 2021-1	Delaware
RC-UDF Grantor Trust 2020-1	Delaware
RCL Sub I, LLC	Delaware
Ready Capital Kilfane I, LLC	Delaware
Ready Capital Kilfane II, LLC	Delaware
Ready Capital Mortgage Depositor, LLC	Delaware
Ready Capital Mortgage Depositor II, LLC	Delaware
Ready Capital Mortgage Depositor III, LLC	Delaware
Ready Capital Mortgage Depositor IV, LLC	Delaware
Ready Capital Mortgage Depositor V, LLC	Delaware
Ready Capital Mortgage Depositor VI, LLC	Delaware
Ready Capital Mortgage Financing 2018-FL2, LLC	Delaware
Ready Capital Mortgage Financing 2019-FL3, LLC	Delaware
Ready Capital Mortgage Financing 2020-FL4, LLC	Delaware
Ready Capital Mortgage Financing 2021-FL5, LLC	Delaware
Ready Capital Partners I, LLC	Delaware

Ready Capital Subsidiary REIT I, LLC	Delaware
Ready Capital TRS I, LLC	Delaware
ReadyCap Commercial, LLC	Delaware
ReadyCap Commercial Asset Depositor, LLC	Delaware
ReadyCap Commercial Asset Depositor II, LLC	Delaware
ReadyCap Commercial Mortgage Depositor, LLC	Delaware
ReadyCap Holdings, LLC	Delaware
ReadyCap Lending, LLC	Delaware
ReadyCap Lending SBL Depositor, LLC	Delaware
ReadyCap Lending Small Business Loan Trust 2019-2	Delaware
ReadyCap Merger Sub, LLC	Delaware
ReadyCap Mortgage Trust 2014-01	New York
ReadyCap Mortgage Trust 2015-02	New York
ReadyCap Mortgage Trust 2016-03	New York
ReadyCap Mortgage Trust 2018-04	New York
ReadyCap Mortgage Trust 2019-05	New York
ReadyCap Mortgage Trust 2019-06	New York
ReadyCap Warehouse Financing LLC	Delaware
RL CIT 2014-01, LLC	Delaware
SAMC Honeybee Holdings, LLC	Delaware
SAMC Honeybee TRS, LLC	Delaware
SAMC REO 2013-01, LLC	Delaware
SAMC REO 2018-01, LLC	Delaware
Silverthread Falls Holding, LLC	Delaware
Skye Hawk RE, LLC	Vermont
Skyeburst IC, LLC	Vermont
Sutherland 2016-1 JPM Grantor Trust	Delaware
Sutherland 2018-SBC7 REO I, LLC	Delaware
Sutherland Asset I, LLC	Delaware
Sutherland Asset II, LLC	Delaware
Sutherland Asset III, LLC	Delaware

Sutherland Asset Management, LLC	Delaware
Sutherland Commercial Mortgage Depositor, LLC	Delaware
Sutherland Commercial Mortgage Depositor II, LLC	Delaware
Sutherland Commercial Mortgage Depositor III, LLC	Delaware
Sutherland Commercial Mortgage Trust 2017-SBC6	New York
Sutherland Commercial Mortgage Trust 2018-SBC7	New York
Sutherland Commercial Mortgage Trust 2019-SBC8	New York
Sutherland Commercial Mortgage Trust 2020-SBC9	New York
Sutherland Grantor Trust 2015-1	New York
Sutherland Grantor Trust, Series I	Delaware
Sutherland Grantor Trust, Series II	Delaware
Sutherland Grantor Trust, Series III	Delaware
Sutherland Grantor Trust, Series IV	Delaware
Sutherland Grantor Trust, Series V	Delaware
Sutherland Grantor Trust, Series VI	Delaware
Sutherland Grantor Trust, Series VII	Delaware
Sutherland Partners, LP	Delaware
Sutherland Warehouse Trust	Delaware
Sutherland Warehouse Trust II	Delaware
Tahoe Stateline Venture LLC	California
Tiger Merchant Funding, LLC	Delaware
Valcap I, LLC	Delaware
Waterfall Commercial Depositor LLC	Delaware
Waterfall Commercial Depositor II, LLC	Delaware
Waterfall Victoria Mortgage Trust 2011-SBC2	New York
ZALANTA RESORT at the VILLAGE, LLC	California
ZALANTA RESORT AT THE VILLAGE – PHASE II, LLC	California

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-240086, 333-234423, 333-217810 and 333-196296 on Form S-3, Registration Statement No. 333-251863 on Form S-4 and Registration Statement No. 333-216988 on Form S-8 of our report dated March 15, 2021, relating to the financial statements of Ready Capital Corporation and its subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 15, 2021

EXHIBIT 31.1

CERTIFICATIONS

I, Thomas E. Capasse, certify that:

1. I have reviewed this annual report on Form 10-K of Ready Capital Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2021

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

EXHIBIT 31.2

CERTIFICATIONS

I, Andrew Ahlborn, certify that:

1. I have reviewed this annual report on Form 10-K of Ready Capital Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2021

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

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Ready Capital Corporation (the "Company") for the period ended December 31, 2020 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Thomas E. Capasse, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: March 15, 2021

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

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Ready Capital Corporation (the "Company") for the period ended December 31, 2020 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Frederick C. Herbst, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: March 15, 2021

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