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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _________ to __________

Commission file number: 1-32733

RESOURCE CAPITAL CORP.
(Exact name of registrant as specified in its charter)

Maryland	**20-2287134**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

712 5th Avenue, 12th Floor, New York, NY 10019
(Address of principal executive offices) (Zip code)

(212) 506-3870
(Registrant's telephone number, including area code)

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

Common Stock, $.001 par value	**New York Stock Exchange (NYSE)**
Title of each class	Name of each exchange on which registered

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 o No x

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

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 x No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	☐		Accelerated filer	R
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant, based on the closing price of such stock on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2010) was approximately $259,621,338.

The number of outstanding shares of the registrant's common stock on March 8, 2011 was 61,943,670 shares.

DOCUMENTS INCORPORATED BY REFERENCE
[None]

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FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "project," "should," "will" and "would" or the negative of these terms or other comparable terminology.

Forward-looking statements contained in this report are based on our beliefs, assumptions and expectations regarding our future performance, taking into account all information currently available to us. These 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. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Forward-looking statements we make in this report are subject to various risks and uncertainties that could cause actual results to vary from our forward-looking statements, including:

- the factors described in this report, including those set forth under the sections captioned "Risk Factors," "Business," and "Management's Discussion and Analysis of Financial Conditions and Results of Operations;"
- changes in our industry, interest rates, the debt securities markets, real estate markets or the general economy;
- increased rates of default and/or decreased recovery rates on our investments;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in governmental regulations, tax rates and similar matters;
- changes in our business strategy;
- availability of investment opportunities in commercial real estate-related and commercial finance assets;
- the degree and nature of our competition;
- the adequacy of our cash reserves and working capital; and
- the timing of cash flows, if any, from our investments.

We caution you not to place undue reliance on these forward-looking statements which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. BUSINESS

General

We are a specialty finance company that focuses primarily on commercial real estate and commercial finance. We are organized and conduct our operations to qualify as a REIT under Subchapter M of the Internal Revenue Code of 1986, as amended. Our objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategy. We invest in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. We have financed a substantial portion of our portfolio investments through borrowing strategies seeking to match the maturities and repricing dates of our financings with the maturities and repricing dates of those investments, and have sought to mitigate interest rate risk through derivative instruments.

We are externally managed by Resource Capital Manager, Inc., which we refer to as the Manager, a wholly-owned indirect subsidiary of Resource America, Inc. (NASDAQ: REXI), a specialized asset management company that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through our commercial real estate, commercial finance and financial fund management operating segments. As of December 31, 2010, Resource America managed approximately $12.0 billion of assets in these sectors. To provide its services, the Manager draws upon Resource America, its management team and their collective investment experience.

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Our investments target the following asset classes:

Asset Class	Principal Investments
Commercial real estate-related assets	● First mortgage loans, which we refer to as whole loans; ● First priority interests in first mortgage real estate loans, which we refer to as A notes; ● Subordinated interests in first mortgage real estate loans, which we refer to as B notes; ● Mezzanine debt related to commercial real estate that is senior to the borrower's equity position but subordinated to other third-party financing; ● Commercial mortgage-backed securities, which we refer to as CMBS;
Commercial finance assets	● Senior secured corporate loans, which we refer to as bank loans; ● Other asset-backed securities, which we refer to as other ABS; ● Lease receivables, principally small- and middle-ticket commercial direct financing leases and notes; ● Structured note investments, which comprise our trading securities portfolio; ● Debt tranches of collateralized debt obligations and collateralized loan obligations, which we refer to as CDOs and CLOs, respectively.

Beginning in the second half of 2007, there have been unprecedented disruptions in the credit markets, abrupt and significant devaluations of assets directly or indirectly linked to the U.S. real estate finance markets, and the attendant removal of liquidity, both long and short term, from the capital markets. These conditions have had, and we expect will continue to have, an adverse effect on us and companies we finance, particularly with respect to our legacy commercial real estate related assets. During the years ended December 31, 2010 and 2009, we recorded provisions for loan and lease losses of $43.3 million and $61.4 million, respectively. All of the 2010 provisions are directly attributable to our commercial real estate loan portfolio, which were offset slightly by reductions with respect to the bank loan portfolio. We also recorded net impairment losses of $26.8 million and $13.5 million during the years ended December 31, 2010 and 2009, respectively, on our available-for-sale and held-to-maturity securities. The vast majority of these impairments come from our CMBS portfolio. In addition, we recorded losses through other comprehensive income of $19.3 million and $47.6 million on our available-for-sale portfolio as of December 31, 2010 and 2009, respectively. Based on these trends, our legacy CRE investments worsened, while the bank loan and lease receivable portfolios improved.

The events occurring in the credit markets from the second half of 2007 until mid to late 2010, have impacted our financing and investing strategies and, as a result, our ability to originate new investments and to grow. Historically, we have used CDOs as a principal source of long-term match-funded financing; however, the market for securities issued by new securitizations collateralized by assets similar to those in our investment portfolio had largely disappeared through early to mid 2010. Short-term financing through warehouse lines of credit and repurchase agreements had become largely unavailable and unreliable as increasing volatility in the valuation of assets similar to those we originate had increased the risk of margin calls. During 2010, we began to see the frozen credit markets thaw and we closed on a new $120.0 million securitization with respect to an equipment leasing portfolio in May 2010. In addition, in February 2011, we entered into a $100.0 million, two year term facility with Wells Fargo to purchase CMBS.

On the asset side, we invested $5.0 million through Resource TRS, our taxable REIT subsidiary, in structured finance vehicles, principally CLO equity, which we have classified as trading securities. Because of the success of that new investment, we committed an additional $8.0 million through February 2011. We also began to cautiously reenter the CRE lending market in the fourth quarter of 2010 and through February 2011 have closed on three new whole loans totaling $24.2 million. We also purchased three newly underwritten CMBS for $7.2 million in February 2011 in conjunction with the Wells Fargo facility. Furthermore, in January 2011, we've continued to invest in the lease receivable portfolio and made a preferred stock investment in Leaf Commercial Capital, Inc, a recently formed equipment leasing enterprise and a subsidiary of our Manager. In February 2011, we purchased a company that manages $1.9 billion of bank loan assets and are entitled to collect senior, subordinated and incentive management fees. These recent asset purchases and credit market events indicate that we expect to be able to invest a significant portion of our available unrestricted and restricted cash balances and, as a result, modestly grow our net interest income in 2011.

We calculate our distributions to our shareholders based on our estimate of our REIT taxable income, which may vary greatly from our net income calculated in accordance with U.S. generally accepted accounting principles, or GAAP. We expect that our REIT taxable income will be comprised primarily of our net investment income and our fee income. We expect that our REIT taxable income will be greater than our GAAP net income primarily because asset impairments and provisions for loan and lease losses are not deductible until realized for tax purposes as well as net book to tax adjustments for our taxable foreign REIT subsidiaries and fee income received by our taxable REIT subsidiaries, or TRSs, that is dividended to us and included in our REIT taxable income but deferred or eliminated for GAAP purposes. For further discussion, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Business Strategy

The core components of our business strategy are:

Managing our investment portfolio. As of December 31, 2010, we managed $1.9 billion of assets, including $1.5 billion of assets financed and held in CDOs. The core of our management process is credit analysis which we use to actively monitor our existing investments and as a basis for evaluating new investments. Senior management of our Manager and Resource America has extensive experience in underwriting the credit risk associated with our targeted asset classes, and conducts detailed due diligence on all credit-sensitive investments, including the use of proprietary credit stratifications and collateral stress analysis. After making an investment, the Manager and Resource America engage in active monitoring of our investments for early detection of troubled and deteriorating assets. If a default occurs, we will use our senior management team's asset management skills in seeking to mitigate the severity of any losses, and we will seek to optimize the recovery from assets if we foreclose upon them.

Managing our interest rate and liquidity risk. We generally seek to manage interest rate and liquidity risk so as to reduce the effects of interest rate changes on us. On our long-term financing we seek to match the maturity and repricing dates of our investments with the maturities and repricing dates of our financing. Historically, we have used CDO vehicles structured for us by our Manager to achieve this goal. From 2008 through 2010, we financed new investments predominantly through existing capacity in our CDOs or through cash available from principal repayments on or payoffs of existing investments. As credit markets have begun to reopen, we also expect to cautiously utilize new leverage to finance new investments. We also seek to mitigate interest rate risk through derivative instruments.

Historically, we managed our interest rate and liquidity risk on our short-term financing, principally repurchase agreements, by limiting the amount of our financial exposure under the facilities to either a stated investment amount or a fixed guaranty amount. As a result of current market conditions, as of December 31, 2010 we had paid off our short term repurchase agreements.

Investment in real estate and commercial finance assets. We expect to continue to invest in commercial real estate whole loans, B notes, mezzanine debt, CMBS rated below AAA by Standard & Poors, or S&P, commercial finance assets, including bank loans and to a lesser extent, direct financing leases and notes, subject to the availability of investment funds and financing. Our equity at December 31, 2010 was invested 76.7% in commercial real estate loans, 18.4% in commercial bank loans, 3.1% in lease receivables and 1.8% in structured notes. In 2011, we expect to recycle liquidity within our CDO structures to make investments and replace loans that have been paid down or paid off and to replace loans that may be sold.

Debt repurchase. We have been able to take advantage of market illiquidity that resulted in limited trading of CDO notes issued in our two commercial real estate, or CRE, CDO securitizations by buying these debt securities at substantial discounts to par. This strategy, which has generated significant gains on the extinguishment of the debt, has allowed us to mitigate credit losses in our loan and lease portfolio and impairment losses in our investment securities portfolio. In 2010, we bought $91.4 million par value of our CRE CDO debt, a discount to par of 38%, for approximately $56.7 million. As a result, our gain on the extinguishment of debt for 2010 was $34.6 million which offset in part the credit and impairment losses we realized in 2010.

Diversification of investments. We seek to manage our investment risk by maintaining a diversified portfolio of real estate-related and commercial finance assets. As funds become available for investment or reinvestment, we seek to maintain that diversification while allocating our capital to those sectors that we believe are the most economically attractive. The percentage of assets that we may invest in certain of our targeted asset classes is subject to the federal income tax requirements for REIT qualification and the requirements for exclusion from Investment Company Act regulation.

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Our Operating Policies and Strategies

Investment guidelines. We have established investment policies, procedures and guidelines that are reviewed and approved by our investment committee and board of directors. The investment committee meets regularly to monitor the execution of our investment strategies and our progress in achieving our investment objectives. As a result of our investment strategies and targeted asset classes, we acquire our investments primarily for income. We do not have a policy that requires us to focus our investments in one or more particular geographic areas.

Financing policies. We have used leverage in order to increase potential returns to our stockholders and for financing our portfolio. We do not speculate on changes in interest rates. While we have identified our leverage targets for each of our targeted asset classes, our investment policies require no minimum or maximum leverage and our investment committee has the discretion, without the need for further approval by our board of directors, to increase the amount of leverage we incur above our targeted range for individual asset classes.

We have historically used borrowing and securitization strategies, substantially through CDOs, to accomplish our long-term match funding, financing strategy. Recent credit markets had significantly limited our ability to execute our long term financing strategy. We will continue to look to invest our restricted cash in our CRE CDO structures and reinvesting loan repayments received in new investments. We also will cautiously use leverage to finance new investments where we can achieve attractive risk-adjusted returns in today's markets.

Hedging and interest rate management strategy. We use derivative financial instruments to hedge a portion of the interest rate risk associated with our borrowings. Under the federal income tax laws applicable to REITs, we generally will be able to enter into transactions to hedge indebtedness that we may incur, or plan to incur, to acquire or carry real estate assets, provided that our total gross income from such hedges and other non-qualifying sources must not exceed 25% of our total gross income. These hedging transactions may include interest rate swaps, collars, caps or floors, puts and calls and options.

Credit and risk management policies. Our Manager focuses its attention on credit and risk assessment from the earliest stage of the investment selection process. In addition, the Manager screens and monitors all potential investments to determine their impact on maintaining our REIT qualification under federal income tax laws and our exclusion from investment company status under the Investment Company Act of 1940. Risks related to portfolio management, including the management of risks related to credit losses, interest rate volatility, liquidity and counterparty credit are generally managed on a portfolio-by-portfolio basis by each of Resource America's asset management divisions, although there is often interaction and cooperation between divisions in this process.

Our Investment Strategy

General

The following table describes our investment-class allocations and certain characteristics of each class as of December 31, 2010 (dollars in thousands):

	Amortized cost	Estimated fair value [1]	Percent of portfolio	Weighted average coupon
Loans Held for Investment:				
Commercial real estate loans:				
Mezzanine loans	$ 117,245	$ 134,330	8.09%	4.48%
B notes	57,451	56,644	3.41%	5.62%
Whole loans	441,372	398,538	24.01%	4.17%
Bank loans	856,436	850,500	51.24%	3.57%
	1,472,504	1,440,012	86.75%	
Loans held for sale:				
Bank loans	4,027	4,027	0.24%	3.07%
Commercial loans	24,566	24,566	1.48%	5.90%
	28,593	28,593	1.72%	
Investments in Available-for-Sale Securities:				
CMBS	83,224	63,938	3.85%	5.08%
Other ABS	–	22	–%	–%
	83,224	63,960	3.85%	
Investment Securities-Trading:				
Structured notes	7,984	17,723	1.07%	–%
Investment in lease receivables:	109,682	109,612	6.61%	10.50%
Total portfolio/weighted average	$ 1,701,987	$ 1,659,900	100.00%	

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(1) The fair value of our investments represents our management's estimate of the price that a market participant would pay for such assets. Management bases this estimate on the underlying interest rates and credit spreads for fixed-rate securities and, to the extent available, quoted market prices.

Commercial Real Estate-Related Investments

Whole loans. We originate first mortgage loans, or whole loans, directly to borrowers. The direct origination of whole loans enables us to better control the structure of the loans and to maintain direct lending relationships with the borrowers. We may create senior tranches of a loan, consisting of an A note (described below), B notes (described below), mezzanine loans or other participations, which we may hold or sell to third parties. We do not obtain ratings on these investments. At origination, our whole loan investments had loan to value, or LTV, ratios of up to 80%. We expect to hold our whole loans to their maturity. Since the beginning of 2008 through December 31, 2010, we modified 27 commercial real estate loans, or CRE loans.

Senior interests in whole loans (A notes). We invest in senior interests in whole mortgage loans, referred to as A notes, either directly originated or purchased from third parties. We do not obtain ratings on these investments. At the date of investment, our A note investments had LTV ratios of up to 70%. We expect to hold our A note investments to their maturity.

Subordinate interests in whole loans (B notes). We invest in subordinate interests in whole loans, referred to as B notes, which we either directly originate or purchase from third parties. B notes are loans secured by a first mortgage but are subordinated to an A note. The subordination of a B note is generally evidenced by an intercreditor or participation agreement between the holders of the A note and the B note. In some instances, the B note lender may require a security interest in the stock or partnership interests of the borrower as part of the transaction. B note lenders have the same obligations, collateral and borrower as the A note lender, but typically are subordinated in recovery upon a default to the A note lender. B notes share certain credit characteristics with second mortgages in that both are subject to greater credit risk with respect to the underlying mortgage collateral than the corresponding first mortgage or A note. We do not obtain ratings on these investments. At the date of investment, our B note investments had LTV ratios of between 55% and 80%. Typical B note investments will have terms of three years to five years, and are generally structured with an original term of up to three years, with one-year extensions that bring the loan to a maximum term of five years. We expect to hold our B note investments to their maturity.

In addition to the interest payable on the B note, we may earn fees charged to the borrower under the note or additional income by receiving principal payments in excess of the discounted price (below par value) we paid to acquire the note. Our ownership of a B note with controlling class rights may, in the event the financing fails to perform according to its terms, cause us to elect to pursue our remedies as owner of the B note, which may include foreclosure on, or modification of, the note. In some cases, the owner of the A note may be able to foreclose or modify the note against our wishes as owner of the B note. As a result, our economic and business interests may diverge from the interests of the owner of the A note.

Mezzanine financing. We invest in mezzanine loans that are senior to the borrower's equity in, and subordinate to a first mortgage loan on, a property. These loans are secured by pledges of ownership interests, in whole or in part, in entities that directly own the real property. In addition, we may require other collateral to secure mezzanine loans, including letters of credit, personal guarantees of the principals of the borrower, or collateral unrelated to the property. We may structure our mezzanine loans so that we receive a stated fixed or variable interest rate on the loan as well as a percentage of gross revenues and a percentage of the increase in the fair market value of the property securing the loan, payable upon maturity, refinancing or sale of the property. Our mezzanine loans may also have prepayment lockouts, penalties, minimum profit hurdles and other mechanisms to protect and enhance returns in the event of premature repayment. At the date of investment, our mezzanine investments had LTV ratios between 65% and 90%. We expect the stated maturity of our mezzanine financings to range from three to five years. Mezzanine loans may have maturities that match the maturity of the related mortgage loans but may have shorter or longer terms. We expect to hold these investments to maturity.

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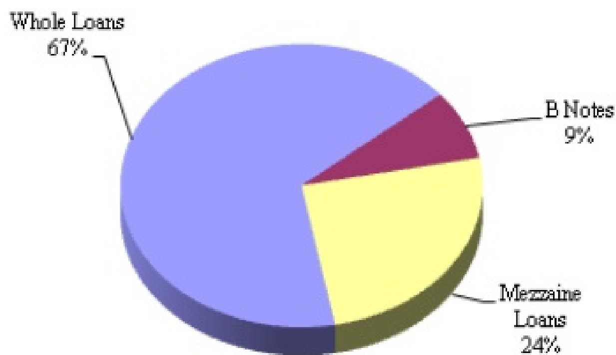
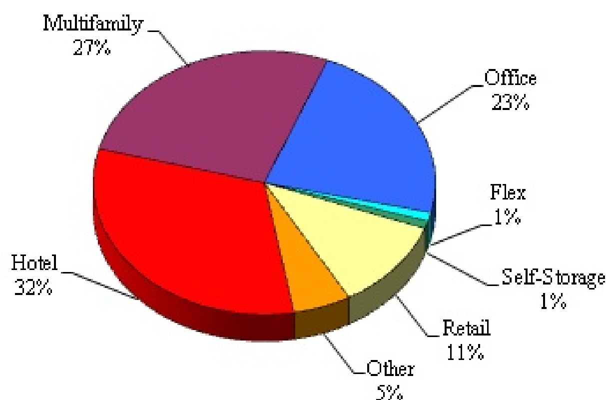
The following charts describe the loan type, property type and the geographic breakdown of our commercial real estate loan portfolio as of December 31, 2010 (based on par value):

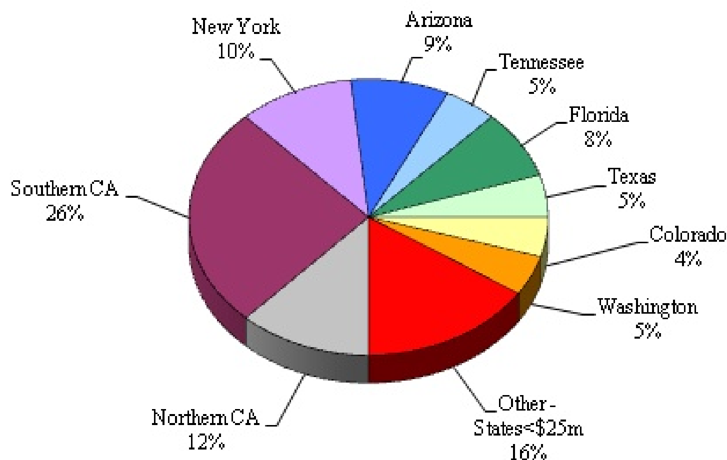
Loan Type



Property Type



Geographic by State



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As these charts demonstrate, our portfolio contains a diversified mix of property types with approximately 93% of the portfolio focus on four types, Multifamily 27%, Office 23%, Hotel 32% and Retail 11%.

Our geographic mix includes approximately 38% in California which we split into Southern (26%) and Northern (12%) regions. Within the Southern California region, we have 90% of our portfolio in whole loans with 79% in three property types, Hotel 49%, Office 16% and Retail 13%. Within the Northern CA region, we have 81% of our portfolio in whole loans with 81% in two property types, Multifamily 50% and Retail 31%. As noted in these statistics, this portfolio is made up primarily of whole loans where we are able to better control the structure of the loan and maintain a direct lending relationship with the borrower. We view the investment and credit strategy as being adequately diversified across property type and loan type across both the Southern and Northern California regions.

CMBS. We invest in CMBS, which are securities that are secured by or evidence interests in a pool of mortgage loans secured by commercial properties. These securities may be senior or subordinate and may be either investment grade or non-investment grade. The majority of our CMBS investments have been rated by at least one nationally recognized rating agency.

The yields on CMBS depend on the timely payment of interest and principal due on the underlying mortgage loans and defaults by the borrowers on such loans may ultimately result in deficiencies and defaults on the CMBS. In the event of a default, the trustee for the benefit of the holders of CMBS has recourse only to the underlying pool of mortgage loans and, if a loan is in default, to the mortgaged property securing such mortgage loan. After the trustee has exercised all of the rights of a lender under a defaulted mortgage loan and the related mortgaged property has been liquidated, no further remedy will be available. However, holders of relatively senior classes of CMBS will be protected to a certain degree by the structural features of the securitization transaction within which such CMBS were issued, such as the subordination of the relatively more junior classes of the CMBS.

Other Real Estate Investments

We invest in joint ventures and other interests that finance the acquisition of distressed commercial properties and mortgage loans on distressed commercial properties. These interests have the objective of repositioning the directly owned properties and the collateral underlying the mortgages, where applicable, to enhance their value and realize capital appreciation. During 2010, these investments did not constitute a material portion of our assets. During 2011, depending upon our capital position, credit market conditions and the availability of investment opportunities, we may seek to expand our investments in this area. Our investment is included in investments in unconsolidated subsidiaries at December 31, 2010 on our consolidated balance sheet.

Residential Real Estate-Related Investments

Historically, we had invested in agency RMBS and non-agency ABS-RMBS portfolios. We sold our agency RMBS portfolio in September 2006. We sold these investments in 2006 and 2007.

Commercial Finance Investments

Subject to limitations imposed by REIT qualification standards and requirements for exclusion from regulation under the Investment Company Act of 1940, which we refer to as the Investment Company Act, we may invest in the following commercial finance assets:

Bank loans. We acquire senior and subordinated, secured and unsecured loans made by banks or other financial entities. Bank loans may also include revolving credit facilities, under which the lender is obligated to advance funds to the borrower under the credit facility as requested by the borrower from time to time. We expect that some amount of these loans will be secured by mortgages and liens on the assets of the borrowers. Certain of these loans may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the loan. These loans may include restrictive financial and operating covenants. We also have invested, to a lesser extent, in bonds which pay holders a coupon periodically until maturity of the bonds, when the face value is due.

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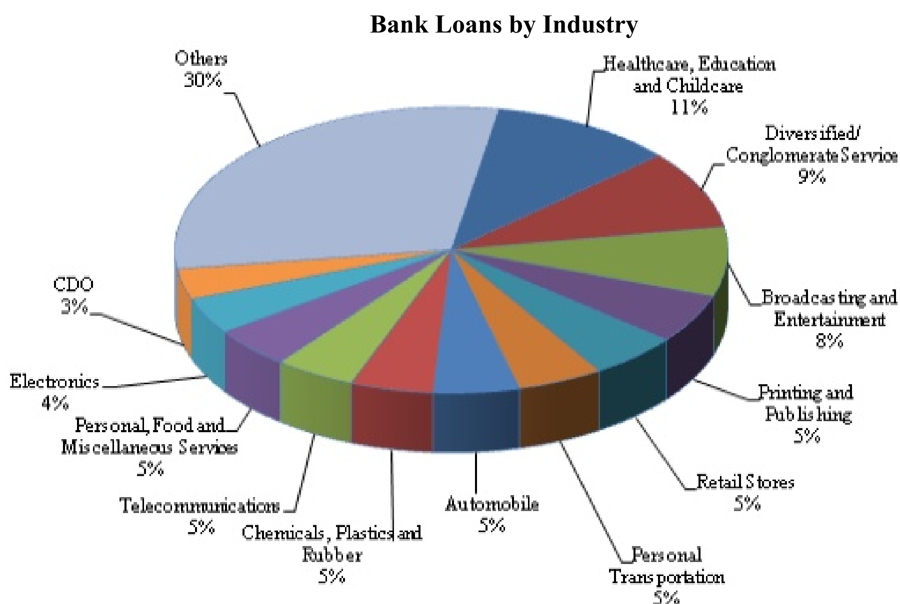
The following chart describes the industry breakdown of our bank loans as of December 31, 2010 (based on par value):



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(1) All other is made up of the following industries (by percentage):

Diversified/conglomerate manufacturing	3.3%
Leisure, amusement, motion pictures, entertainment	3.1%
Aerospace and defense	3.0%
Hotels, motels, inn and gaming	2.4%
Finance	1.9%
Machinery (non-agriculture, non-construction, non-electronic)	1.7%
Ecological	1.6%
Cargo transport	1.5%
Utilities	1.4%
Oil and gas	1.3%
Buildings and real estate	1.3%
Diversified natural resources, precious metals and minerals	1.2%
Personal and nondurable consumer products (mfg. only)	1.2%
Mining, steel, iron and non-precious metals	1.1%
Farming and agriculture	1.0%
Packaging and forest products	0.9%
Beverage, food and tobacco	0.6%
Containers, packaging and glass	0.6%
Home and office furnishings, housewares and durable consumer products	0.4%
Textiles and leather	0.3%
Temporary staffing	0.1%
Insurance	0.1%

Lease receivables. We invest in small- and middle-ticket full payout lease receivables. Under full payout leases and notes, the payments we receive over the term of the financing will return our invested capital plus an appropriate return without consideration of the value of the leased equipment at the end of the lease or note term, known as the residual, and the obligor will acquire the equipment at the end of the payment term. We focus on equipment and other assets that are essential for businesses to conduct their operations so that end users will be highly motivated to make required monthly payments. We focus on equipment in the following areas:

- general office equipment, such as office machinery, furniture and telephone and computer systems;
- medical and dental practices and equipment for diagnostic and treatment use;
- energy and climate control systems;
- industrial equipment, including manufacturing, material handling and electronic diagnostic systems; and
- agricultural equipment and facilities.

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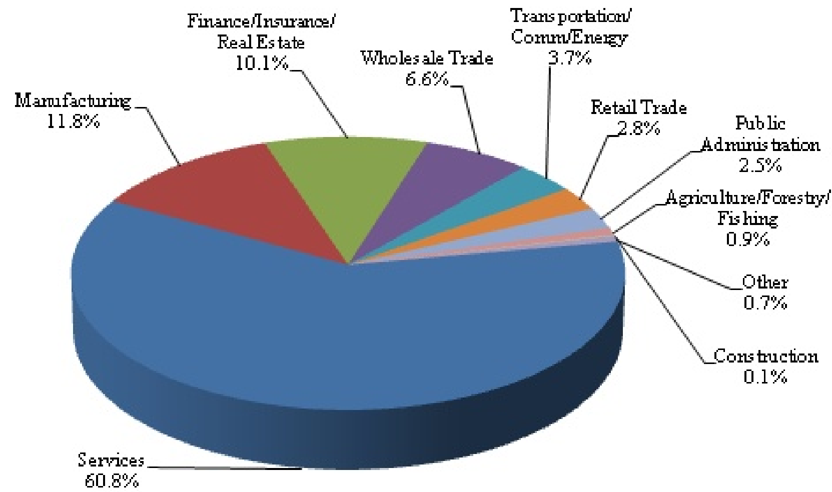
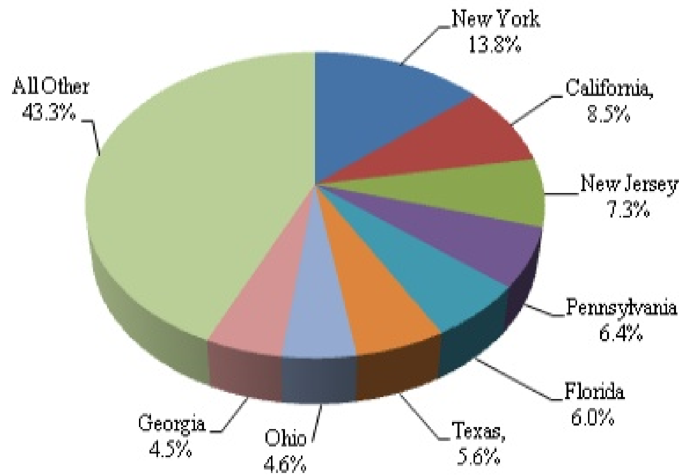
The following charts describe the industry and the geographic breakdown of our lease receivables as of December 31, 2010 (based on par value):

Lease Receivables by Industry



Geographic by State



Trust preferred securities and other ABS. We have one investment (less than 0.1% of our total assets) in trust preferred securities. Trust preferred securities are issued by a special purpose trust that holds a subordinated debenture or other debt obligation issued by a company to the trust. The sponsoring company holds the equity interest in the trust, with the preferred securities of the trust being sold to investors. The trust invests the proceeds of the preferred securities in the sponsoring company through the purchase of a debenture issued by it that tracks the terms of the trust preferred securities. Issuers of trust preferred securities have been generally affiliated with financial institutions because, under then-existing regulatory and tax structures, unlike the proceeds from debt securities the proceeds from trust preferred securities could be treated as primary regulatory capital by the financial institution, while it could deduct the interest it paid on the debt obligation held by the trust from its income for federal income tax purposes.

Competition

See “Risk Factors” - “Risks Relating to Our Business”

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Management Agreement

We have a management agreement with the Manager and Resource America under which the Manager provides the day-to-day management of our operations. The management agreement requires the Manager to manage our business affairs in conformity with the policies and the investment guidelines established by our board of directors. The Manager's role as manager is under the supervision and direction of our board of directors. The Manager is responsible for the selection, purchase and sale of our portfolio investments, our financing activities, and providing us with investment advisory services. The Manager also provides us with a Chairman of the Board, a Chief Financial Officer, three accounting professionals and an investor relations officer (on a shared basis). The Manager receives fees and is reimbursed for its expenses as follows:

- A monthly base management fee equal to 1/12th of the amount of our equity multiplied by 1.50%. Under the management agreement, "equity" is equal to the net proceeds from any issuance of shares of common stock less offering-related costs, plus or minus our retained earnings (excluding non-cash equity compensation incurred in current or prior periods) less any amounts we have paid for common stock repurchases. The calculation is adjusted for one-time events due to changes in accounting principles generally accepted in the United States, which we refer to as GAAP, as well as other non-cash charges, upon approval of our independent directors.

- Incentive compensation calculated as follows: (i) 25% of the dollar amount by which (A) our adjusted operating earnings (before incentive compensation but after the base management fee) for such quarter per common share (based on the weighted average number of common shares outstanding for such quarter) exceeds (B) an amount equal to (1) the weighted average of the price per share of the common shares in the initial offering by us and the prices per share of the common shares in any subsequent offerings by us, in each case at the time of issuance thereof, multiplied by (2) the greater of (a) 2.00% and (b) 0.50% plus one-fourth of the Ten Year Treasury Rate for such quarter, multiplied by (ii) the weighted average number of common shares outstanding during such quarter subject to adjustment to exclude events pursuant to changes in GAAP or the application of GAAP, as well as non-recurring or unusual transactions or events, after discussion between the Manager and the Independent Directors and approval by a majority of the Independent Directors in the case of non-recurring or unusual transactions or events.

- Reimbursement of out-of-pocket expenses and certain other costs incurred by the Manager that relate directly to us and our operations.

- Pursuant to an amendment on October 16, 2009, the Manager will, in addition to a Chief Financial Officer, provide us with three accounting professionals, each of whom will be exclusively dedicated to our operations, and a director of investor relations who will be 50% dedicated to our operations. The amendment also provides that we will reimburse the Manager for the expense of the wages, salaries and benefits of the Chief Financial Officer and three accounting professionals and 50% of the salary and benefits of the director of investor relations. In addition, we began reimbursing our Chairman for wages, salary and benefits in February 2010.

Incentive compensation is paid quarterly to the extent any is earned. Up to seventy-five percent (75%) of the incentive compensation will be paid in cash and at least twenty-five percent (25%) will be paid in the form of a stock award. The Manager may elect to receive more than 25% of its incentive compensation in stock. All shares are fully vested upon issuance. However, the Manager may not sell such shares for one year after the incentive compensation becomes due and payable unless the management agreement is terminated. Shares payable as incentive compensation are valued as follows:

- if such shares are traded on a securities exchange, at the average of the closing prices of the shares on such exchange over the thirty day period ending three days prior to the issuance of such shares;

- if such shares are actively traded over-the-counter, at the average of the closing bid or sales price as applicable over the thirty day period ending three days prior to the issuance of such shares; and

- if there is no active market for such shares, at the fair market value as reasonably determined in good faith by our board of directors.

In conjunction with our offering of our common stock in December 2009, we and Resource America agreed that for the quarters ending on December 31, 2009 and March 31, 2010, the total incentive management fee payable to the Manager pursuant would not exceed $1.5 million per quarter.

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The initial term of the management agreement expired on March 31, 2009. The agreement provides for automatic one year renewals on each March 31 thereafter until terminated. Our board of directors reviews the Manager's performance annually. The management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, or by the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock, based upon unsatisfactory performance that is materially detrimental to us or a determination by our independent directors that the management fees payable to the Manager are not fair, subject to the Manager's right to prevent such a compensation termination by accepting a mutually acceptable reduction of management fees. Our board of directors must provide 180 days' prior notice of any such termination. If we terminate the management agreement, the Manager is entitled to a termination fee equal to four times the sum of the average annual base management fee and the average annual incentive compensation earned by the Manager during the two 12-month periods immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination.

We may also terminate the management agreement for cause with 30 days' prior written notice from our board of directors. No termination fee is payable with respect to a termination for cause. The management agreement defines cause as:

- the Manager's continued material breach of any provision of the management agreement following a period of 30 days after written notice thereof;
- the Manager's fraud, misappropriation of funds, or embezzlement against us;
- the Manager's gross negligence in the performance of its duties under the management agreement;
- the bankruptcy or insolvency of the Manager, or the filing of a voluntary bankruptcy petition by the Manager;
- the dissolution of the Manager; and
- a change of control (as defined in the management agreement) of the Manager if a majority of our independent directors determines, at any point during the 18 months following the change of control, that the change of control was detrimental to the ability of the Manager to perform its duties in substantially the same manner conducted before the change of control.

Cause does not include unsatisfactory performance that is materially detrimental to our business.

The management agreement will terminate at the Manager's option, without payment of the termination fee, if we become regulated as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event.

Regulatory Aspects of Our Investment Strategy: Exclusion from Regulation Under the Investment Company Act.

We operate our business so as to be excluded from regulation under the Investment Company Act. Because we conduct our business through wholly-owned subsidiaries, we must ensure not only that we qualify for an exclusion from regulation under the Investment Company Act, but also that each of our subsidiaries so qualifies.

We believe that RCC Real Estate, Inc., the subsidiary that as of December 31, 2010 held all of our commercial real estate loan assets, is excluded from Investment Company Act regulation under Sections 3(c)(5)(C) and 3(c)(6), provisions designed for companies that do not issue redeemable securities and are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. To qualify for this exclusion, at least 55% of RCC Real Estate's assets must consist of mortgage loans and other assets that are considered the functional equivalent of mortgage loans for purposes of the Investment Company Act, which we refer to as "qualifying real estate assets." Moreover, 80% of RCC Real Estate's assets must consist of qualifying real estate assets and other real estate-related assets. RCC Real Estate has not issued, and does not intend to issue, redeemable securities.

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We treat our investments in whole mortgage loans, specific types of B notes and specific types of mezzanine loans as qualifying real estate assets for purposes of determining our eligibility for the exclusion provided by Section 3(c)(5)(C) to the extent such treatment is consistent with guidance provided by the SEC or its staff. We believe that SEC staff guidance allows us to treat B notes as qualifying real estate assets where we have unilateral rights to instruct the servicer to foreclose upon a defaulted mortgage loan, replace the servicer in the event the servicer, in its discretion, elects not to foreclose on such a loan, and purchase the A note in the event of a default on the mortgage loan. We believe, based upon an analysis of existing SEC staff guidance, that we may treat mezzanine loans as qualifying real estate assets where (i) the borrower is a special purpose bankruptcy-remote entity whose sole purpose is to hold all of the ownership interests in another special purpose entity that owns commercial real property, (ii) both entities are organized as limited liability companies or limited partnerships, (iii) under their organizational documents and the loan documents, neither entity may engage in any other business, (iv) the ownership interests of either entity have no value apart from the underlying real property which is essentially the only asset held by the property-owning entity, (v) the value of the underlying property in excess of the amount of senior obligations is in excess of the amount of the mezzanine loan, (vi) the borrower pledges its entire interest in the property-owning entity to the lender which obtains a perfected security interest in the collateral, and (vii) the relative rights and priorities between the mezzanine lender and the senior lenders with respect to claims on the underlying property is set forth in an intercreditor agreement between the parties which gives the mezzanine lender certain cure and purchase rights in case there is a default on the senior loan. If the SEC staff provides future guidance that these investments are not qualifying real estate assets, we will treat them, for purposes of determining our eligibility for the exclusion provided by Section 3(c)(5)(C), as real estate-related assets or miscellaneous assets, as appropriate. Historically, we have held “whole pool certificates” in mortgage loans, although, at December 31, 2010, we had no whole pool certificates in our portfolios. Pursuant to existing SEC staff guidance, we consider whole pool certificates to be qualifying real estate assets. A whole pool certificate is a certificate that represents the entire beneficial interest in an underlying pool of mortgage loans. By contrast, a certificate that represents less than the entire beneficial interest in the underlying mortgage loans is not considered to be a qualifying real estate asset for purposes of the 55% test, but constitutes a real estate-related asset for purposes of the 80% test. We do not expect that investments in CDOs, other ABS, bank loans, lease receivables, trust preferred securities and private equity will constitute qualifying real estate assets. Moreover, to the extent that these investments are not backed by mortgage loans or other interests in real estate, they will not constitute real estate-related assets. Instead, they will constitute miscellaneous assets, which can constitute no more than 20% of RCC Real Estate’s assets.

To the extent RCC Real Estate holds its commercial real estate loan assets through wholly or majority-owned CDO subsidiaries, RCC Real Estate also intends to conduct its operations so that it will not come within the definition of an investment company set forth in Section 3(a)(1)(C) of the Investment Company Act because less than 40% of the value of its total assets on an unconsolidated basis will consist of “investment securities,” which we refer to as the 40% test. “Investment securities” exclude U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. Certain of the wholly-owned CDO subsidiaries of RCC Real Estate rely on Section 3(c)(5)(C) for their Investment Company Act exemption, with the result that RCC Real Estate’s interests in the CDO subsidiaries do not constitute “investment securities” for the purpose of the 40% test.

Our other subsidiaries, RCC Commercial, Inc., or RCC Commercial, and Resource TRS, Inc., or Resource TRS, do not qualify for the Section 3(c)(5)(C) exclusion. However, we believe they qualify for exclusion under either Section 3(c)(1) or 3(c)(7). As required by these exclusions, we will not allow either entity to make, or propose to make, a public offering of its securities. In addition, with respect to those subsidiaries for which we rely upon the Section 3(c)(1) exclusion, and as required thereby, we limit the number of holders of their securities to not more than 100 persons calculated in accordance with the attribution rules of Section 3(c)(1) and, with respect to those subsidiaries for which we rely on the Section 3(c)(7) exclusion, and as required thereby, we limit ownership of their securities to “qualified purchasers.” If we form other subsidiaries, we must ensure that they qualify for an exemption or exclusion from regulation under the Investment Company Act.

Moreover, we must ensure that Resource Capital Corp. itself qualifies for an exclusion from regulation under the Investment Company Act. We will do so by monitoring the value of our interests in our subsidiaries. At all times, we must ensure that Resource Capital Corp. meets the 40% test. Our interest in RCC Real Estate does not constitute an “investment security” for purposes of the 40% test, but our interest in RCC Commercial does, and our interest in Resource TRS may in the future, constitute “investment securities.” Accordingly, we must monitor the value of our interest in these two subsidiaries to ensure that the value of our interests in them never exceeds 40% of the value of our total assets.

We have not received, nor have we sought, a no-action letter from the SEC regarding how our investment strategy fits within the exclusions from regulation under the Investment Company Act. To the extent that the SEC provides more specific or different guidance regarding the treatment of assets as qualifying real estate assets or real estate-related assets, we may have to adjust our investment strategy. Any additional guidance from the SEC could further inhibit our ability to pursue our investment strategy.

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Employees

We have no direct employees. Under our management agreement, the Manager provides us with all management and support personnel, including a Chief Financial Officer, and services necessary for our day-to-day operations. Pursuant to an amendment on October 16, 2009, the Manager provides us with three accounting professionals, each of whom is exclusively dedicated to our operations, and a director of investor relations who is 50% dedicated to our operations. Under the amendment, we bear the expense of the wages, salaries and benefits of the Chief Financial Officer and three accounting professionals, and 50% of the salary and benefits of the director of investor relations. In addition, we began reimbursing our Chairman for wages, salary and benefits in February 2010. We depend upon the Manager and Resource America for personnel and administrative infrastructure. To provide its services, the Manager draws upon the expertise and experience of Resource America. As of December 31, 2010, Resource America had 688 employees involved in asset management, including 100 asset management professionals and 588 asset management support personnel, respectively.

Corporate Governance and Internet Address

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors, as defined in the Securities Exchange Act of 1934, as amended, and relevant New York Stock Exchange, or NYSE, rules. The audit, compensation and nominating/corporate governance committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines and a code of business conduct and ethics, which delineate our standards for our officers and directors, and employees of our manager.

Our internet address is www.resourcecapitalcorp.com. We make available, free of charge through a link on our site, all reports filed with the SEC as soon as reasonably practicable after such filing. Our site also contains our code of business conduct and ethics, corporate governance guidelines and the charters of the audit committee, nominating and governance committee and compensation committee of our board of directors. A complete list of our filings is available on the Securities and Exchange Commission's website at **www.sec.gov**. Any of our filings are also available at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The Public Reference Room may be contacted at telephone number (800) 732-0330 for further information.

ITEM 1A. RISK FACTORS

This section describes material risks affecting our business. In connection with the forward-looking statements that appear in this annual report, you should carefully review the factors discussed below and the economic cautionary statements referred to in "Forward-Looking Statements."

Impact of Current Economic Conditions

Continuance of current economic conditions could further harm our financial condition, income and ability to make distributions to our stockholders.

Although credit market conditions have improved over those of the previous two years, there are still significant limitations on the availability of credit, significant declines in the value of real estate and real estate related assets, impairment of the ability of many borrowers to repay their obligations and illiquidity in the markets for real estate and real estate-related assets. Since mid-2007, economic and credit market confidence have had significant adverse effects on us, causing us to record material impairment charges with respect to investments we hold, and significant increases in our provision for loan losses, the unavailability of financing to support new investments. As a result, our income, our ability to make distributions, and the price of our common stock have declined significantly. Continuation of current economic and credit market conditions could further harm our financial condition, income, ability to make distributions to our stockholders and the price of our common stock.

We cannot predict the effects on us of actions taken by the U.S. government and governmental agencies in response to economic conditions in the United States

In response to economic and market conditions, the U.S. government and a number of governmental agencies have established or proposed a series of programs designed to stabilize the financial system and credit markets, and to stimulate economic growth. The U.S. government and many state and local governments are incurring substantial budget deficits and seeking financing in international and national credit markets. We are unable to evaluate whether these programs and actions have had or will have in the future a beneficial impact upon our financial condition, income, or ability to make distributions to our stockholders.

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Risks Related to Our Financing

Our portfolio has been financed in material part through the use of leverage, which may reduce the return on our investments and cash available for distribution.

Our portfolio has been financed in material part through the use of leverage. Using leverage subjects us to risks associated with debt financing, including the risks that:

- the cash provided by our operating activities will not be sufficient to meet required payments of principal and interest,
- the cost of financing may increase relative to the income from the assets financed, reducing the income we have available to pay distributions, and
- our investments may have maturities that differ from the maturities of the related financing and, consequently, the risk that the terms of any refinancing we obtain will not be as favorable as the terms of existing financing.

If we are unable to secure refinancing of our currently outstanding financing, when due, on acceptable terms, we may be forced to dispose of some of our assets at disadvantageous terms or to obtain financing at unfavorable terms, either of which may result in losses to us or reduce the cash flow available to meet our debt service obligations or to pay distributions.

Financing that we may obtain and financing we have obtained through CDOs, does require us to maintain a specified ratio of the amount of the financing to the value of the assets financed. A decrease in the value of these assets may lead to margin calls or calls for the pledge of additional assets which we will have to satisfy. We may not have sufficient funds or unpledged assets to satisfy any such calls.

Under current economic and market conditions we are significantly constrained in our ability to obtain the capital and financing necessary for growth. As a result, our profitability, ability to make distributions and the market price of our common stock have been harmed. Continuation or further deterioration of current conditions could further harm our profitability, ability to make distributions and the market price of our common stock.

We depend upon the availability of adequate debt and equity capital for growth in our operations. Although we successfully completed an offering of common stock in December 2009, and have raised equity capital through our dividend reinvestment and stock purchase program, in general, our ability to obtain debt financing and, to a lesser extent, equity capital has been significantly constrained as a result of current economic and market conditions, which has impaired our profitability, our ability to make distributions and the market price of our common stock. Moreover, as a REIT, we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders and are therefore not able to retain significant amounts of our earnings for new investments. While Rev. Proc. 2010-12, allows us to satisfy this requirement by distributing common shares for up to 90% of the amount of a required distribution, such regulatory relief is only available through December 2011. Moreover, although Resource TRS, our TRS, may retain earnings as new capital, we are subject to REIT qualification requirements which limit the value of TRS stock and securities relative to the other assets owned by a REIT. Continuation or further deterioration of current economic and market conditions could further impair our ability to acquire and finance assets, thereby reducing or eliminating our profitability and ability to make distributions, impairing the market price of our common stock. Moreover, even if debt and equity capital were to become more readily available to us, we cannot assure you that it would be on terms that would enable us to strengthen our profitability or ability to make distributions.

Historically, we have financed most of our investments through CDOs and have retained the equity. CDO equity receives distributions from the CDO only if the CDO generates enough income to first pay the holders of its debt securities and its expenses.

Historically, we have financed most of our investments through CDOs in which we retained the equity interest. Depending on market conditions, credit availability, and resolution of current credit market conditions, we may seek to use CDOs to finance our investments in the future. The equity interests of a CDO are subordinate in right of payment to all other securities issued by the CDO. The equity is usually entitled to all of the income generated by the CDO after the CDO pays all of the interest due on the debt securities and other expenses. However, there will be little or no income available to the CDO equity if there are excessive defaults by the issuers of the underlying collateral which would significantly reduce the value of that interest. Reductions in the value of the equity interests we have in a CDO, if we determine that they are other than temporary, will reduce our earnings. In addition, the equity securities of CDOs are generally illiquid, and because they represent a leveraged investment in the CDO's assets, the value of the equity securities will generally have greater fluctuations than the value of the underlying collateral.

If our CDO financings fail to meet their performance tests, including over-collaterization requirements, our net income and cash flow from these CDOs will be eliminated.

Our CDOs generally provide that the principal amount of their assets must exceed the principal balance of the related securities issued by them by a certain amount, commonly referred to as "over-collateralization." The CDO terms provide that, if delinquencies and/or losses exceed specified levels based on the analysis by the rating agencies (or any financial guaranty insurer) of the characteristics of the assets collateralizing the securities issued by the CDO issuer, the required level of over-collateralization may be increased or may be prevented from decreasing as would otherwise be permitted if losses or delinquencies did not exceed those levels. In addition, a failure by a CDO to satisfy an over-collateralization test typically results in accelerated distributions to the holders of the senior debt securities issued by the CDO entity, resulting in reduction or elimination of distributions to more junior securities until the over-collateralizatoin requirements have been met or the senior debt securities have been paid in full. Our equity holdings and, when we acquire debt interests in CDOs, our debt interests, if any, are subordinate in right of payment to the other classes of debt securities issued by the CDO entity. Accordingly, if overcollateralization tests are not met, distributions on the subordinated debt and equity we hold in these CDOs will cease, resulting in a substantial reduction in our cash flow. Other tests (based on delinquency levels, interest coverage or other criteria) may restrict our ability to receive cash distributions from assets collateralizing the securities issued by the CDO entity. Although at December 31, 2010, all of our CDOs met their performance tests, we cannot assure you that our CDOs will satisfy the performance tests in the future. For information concerning compliance by our CDOs with their over-collateralization tests, see "Management's Discussion and Analysis of Financial Condition and Results of Operation - Summary of CDO and CLO Performance Statistics."

If any of our CDOs fails to meet collateralization or other tests relevant to the most senior debt issued and outstanding by the CDO issuer, an event of default may occur under that CDO. If that occurs, our Manager's ability to manage the CDO likely would be terminated and our ability to attempt to cure any defaults in the CDO would be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in those CDOs for an indefinite time.

If we issue debt securities, the terms may restrict our ability to make cash distributions, require us to obtain approval to sell our assets or otherwise restrict our operations in ways which could make it difficult to execute our investment strategy and achieve our investment objectives.

Any debt securities we may issue in the future will likely be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Holders of senior securities may be granted the right to hold a perfected security interest in certain of our assets, to accelerate payments due under the indenture if we breach financial or other covenants, to restrict distributions, and to require approval to sell assets. These covenants could limit our ability to operate our business or manage our assets effectively. Additionally, any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common stock. We, and indirectly our stockholders, will bear the cost of issuing and servicing such securities.

Depending upon market conditions, we may in the future seek financing through CDOs, which would expose us to risks relating to the accumulation of assets for use in the CDOs.

Historically, we have financed a significant portion of our assets through the use of CDOs, and have accumulated assets for these financings through short-term credit facilities, typically repurchase agreement facilities. Depending upon market conditions, we may seek similar financing arrangements in the future. These arrangements could expose us to a number of credit risks, including the following:

- If we accumulate assets for a CDO on a short-term credit facility and do not complete the CDO financing, or if a default occurs under the facility, the short-term lender will sell the assets and we would be responsible for the amount by which the original purchase price of the assets exceeds their sale price, up to the amount of our investment or guaranty.

- An event of default under one short-term facility may constitute a default under other credit facilities we may have, potentially resulting in asset sales and losses to us, as well as increasing our financing costs or reducing the amount of investable funds available to us.

- We may be unable to acquire a sufficient amount of eligible assets to maximize the efficiency of a CDO issuance, which would require us to seek other forms of term financing or liquidate the assets. We may not be able to obtain term financing on acceptable terms, or at all, and liquidation of the assets may be at prices less than those we paid, resulting in losses to us.

- Using short-term financing to accumulate assets for a CDO issuance may require us to obtain new financing as the short-term financing matures. Residual financing may not be available on acceptable terms, or at all. Moreover, an increase in short-term interest rates at the time that we seek to enter into new borrowings would reduce the spread between the income on our assets and the cost of our borrowings. This would reduce returns on our assets, which would reduce earnings and, in turn, cash available for distribution to our stockholders.

- We will lose money on our repurchase transactions if the counterparty to the transaction defaults on its obligation to resell the underlying security back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of the term or if we default on our obligations under the repurchase agreements.

Our hedging transactions may not completely insulate us from interest rate risk and may result in poorer overall investment performance than if we had not engaged in any hedging transactions.

Subject to maintaining our qualification as a REIT, we pursue various hedging strategies to seek to reduce our exposure to losses from adverse changes in interest rates. Our interest rate hedging activity varies in scope depending upon market conditions relating to, among other factors, the level and volatility of interest rates and the type of assets we hold. There are practical limitations on our ability to insulate our portfolio from all of the negative consequences associated with changes in short-term interest rates, including:

- Available interest rate hedges may not correspond directly with the interest rate risk against which we seek protection.

- The duration of the hedge may not match the duration of the related liability.

- Interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging costs may include structuring and legal fees and fees payable to hedge counterparties to execute the hedge transaction.

- Losses on a hedge position may reduce the cash available to make distributions to stockholders, and may exceed the amounts invested in the hedge position.

- The amount of income that a REIT may earn from hedging transactions, other than through a TRS, is limited by federal tax provisions governing REITs.

- The credit quality of the party 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 party owing money in the hedging transaction may default on its obligation to pay.

We have adopted written policies and procedures governing our hedging activities. Under these policies and procedures, our board of directors is responsible for approving the types of hedging instruments we may use, absolute limits on the notional amount and term of a hedging instrument and parameters for the credit-worthiness of hedge counterparties. The senior managers responsible for each of our targeted asset classes are responsible for executing transactions using the services of independent interest rate risk management consultants, documenting the transactions, monitoring the valuation and effectiveness of the hedges, and providing reports concerning our hedging activities and the valuation and effectiveness of our hedges, to the audit committee of our board of directors no less often than quarterly. Our guidelines also require us to engage one or more experienced third party advisors to provide us with assistance in the identification of interest rate risks, the analysis, selection and timing of risk protection strategies, the administration and negotiation of hedge documentation, settlement or disposition of hedges, compliance with hedge accounting requirements and measurement of hedge effectiveness and valuation.

Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of the positions or prevent losses if the values of the positions decline. Hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, we may not be able to hedge against an interest rate fluctuation that is generally anticipated by the market.

The success of our hedging transactions will depend on the Manager's ability to correctly predict movements of interest rates. Therefore, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

Hedging instruments often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities and involve risks of default by the hedging counterparty and illiquidity.

Subject to maintaining our qualification as a REIT, part of our investment strategy involves entering into puts and calls on securities or indices of securities, interest rate swaps, caps and collars, including options and forward contracts, and interest rate lock agreements, principally Treasury lock agreements, to seek to hedge against mismatches between the cash flows from our assets and the interest payments on our liabilities. Hedging instruments often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we entered into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. Although generally we 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. A liquid secondary market may not exist for hedging instruments purchased or sold, and we may have to maintain a position until exercise or expiration, which could result in losses.

We may enter into hedging instruments that could expose us to unexpected losses in the future.

We have entered and may in the future enter into hedging instruments that require us to fund cash payments under certain circumstances, for example, upon the early termination of the instrument caused by an event of default or other early termination event, or the decision by a counterparty to request additional collateral for margin it is contractually owed under the terms of the instrument. The amount due would be equal to the unrealized loss of the open positions with the counterparty and could also include other fees and charges. These liabilities will be reflected in our consolidated balance sheet, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Approximately 92% of our hedging arrangements are with a single counterparty and, as a consequence, our hedging strategy may fail if that counterparty defaults in its obligations.

As of December 31, 2010, approximately 92% of our outstanding hedges, with a notional amount of $166.8 million, were with Credit Suisse International, or CS. Were CS to default in its obligations under these hedging arrangements, we would lose the hedge protection for which we had contracted which, depending upon market conditions, could result in significant losses to us. We cannot assure you that we could replace the defaulted hedges or that the terms of any replacement hedges we could obtain would be on similar terms, or as to the cost to us of obtaining replacement hedges.

Risks Related to Our Operations

We may change our investment strategy without stockholder consent, which may result in riskier investments than those currently targeted.

Subject to maintaining our qualification as a REIT and our exclusion from regulation under the Investment Company Act, we may change our investment strategy, including the percentage of assets that may be invested in each class, or in the case of securities, in a single issuer, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the investments described in this report. A change in our investment strategy may increase our exposure to interest rate and real estate market fluctuations, all of which may reduce the market price of our common stock and impair our ability to make distributions to stockholders. Furthermore, a change in our asset allocation could result in our making investments in asset categories different from those described in this report.

Terrorist attacks and other acts of violence or war may affect the market for our common stock, the industry in which we conduct our operations and our profitability.

Terrorist attacks may harm our results of operations and your investment. We cannot assure you that there will not be further terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly impact the property underlying our ABS or the securities markets in general. Losses resulting from these types of events are uninsurable.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Adverse economic conditions could harm the value of some or all of the investments in our portfolio or the securities markets in general which could harm our operating results and revenues and may result in the volatility of the value of our securities.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

If we fail to maintain an effective system of internal control, fail to correct any matters in the design or operating effectiveness of internal control over financial reporting, or fail to prevent fraud, our stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock.

Some of our investments may be illiquid, which may result in our realizing less than their recorded value should we need to sell such investments quickly.

We have made investments, and expect to make additional investments, in securities and other assets for which there is no public market. A portion of these securities or other assets may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. If we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we, the Manager or Resource America has or could be attributed with material non-public information regarding such business entity.

We may have to repurchase assets that we have sold in connection with CDOs and other securitizations.

If any of the assets that we originate or acquire and sell or securitize do not comply with representations and warranties that we make about their characteristics, the borrowers and the underlying assets, we may have to purchase these assets from the CDO or securitization vehicle, or replace them with substitute loans or securities. In addition, in the case of loans or securities that we have sold instead of retained, we may have to indemnify purchasers for losses or expenses incurred as a result of a breach of a representation or warranty. Any significant repurchases or indemnification payments could materially reduce our liquidity, earnings and ability to make distributions.

We may be exposed to environmental liabilities with respect to properties to which we take title.

In the course of our business, we may take title to real estate through foreclosure on collateral underlying real estate investments. If we do take title to any property, we could be subject to environmental liabilities with respect to it. 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 they incur as a result of environmental contamination, or may have 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 and could reduce our income and ability to make distributions.

If our allowance for loan and lease losses is not adequate to cover actual or estimated future loan and lease losses, our earnings may decline.

We maintain an allowance for loan and lease losses to provide for loan defaults and non-performance by borrowers of their obligations. Our allowance for loan and lease losses may not be adequate to cover actual or estimated future loan and lease losses and future provisions for loan and lease losses could materially reduce our income. We base our allowance for loan and lease losses on prior experience, as well as an evaluation of risks in the current portfolio. However, losses may exceed our current estimates. The amount of future losses is susceptible to changes in economic, operating and other conditions that may be beyond our control, including changes in interest rates, changes in borrowers' creditworthiness and the value of collateral securing loans and leases. Additionally, if we seek to expand our loan and lease portfolios, we may need to make provisions for loan and lease losses to ensure that the allowance remains at levels deemed appropriate by our management for the size and quality of our portfolios. While we believe that our allowance for loan and lease losses is adequate to cover our anticipated losses, we cannot assure you that will continue to be the case or that we will not further increase the allowance for loan and lease losses. Any increase in our allowance for loan losses will reduce our income and, if sufficiently large, could cause us to incur loss.

Our due diligence may not reveal all of an entity's liabilities and other weaknesses in its business.

Before investing in any entity, we will assess the strength and skills of the entity's management, the value of any collateral securing debt, the ability of the entity and the collateral to service the debt and other factors that we believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, we will rely on the resources available to us and, in some cases, an investigation by third parties. This process is particularly important and subjective with respect to newly-organized entities because there may be little or no information publicly available about the entities or, with respect to debt securities, any underlying collateral. Our due diligence processes, however, may not uncover all facts that may be relevant to an investment decision.

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Risks Related to Our Investments

Declines in the market values of our investments may reduce periodic reported results, credit availability and our ability to make distributions.

We classify a substantial portion of our assets for accounting purposes as “available-for-sale.” As a result, changes in the market values of those assets are directly charged or credited to accumulated other comprehensive loss and could reduce our stockholders’ equity. A decline in these values will reduce the book value of our assets. Moreover, if the decline in value of an available-for-sale asset is other than temporary, we are required by GAAP to record the decline as an asset impairment which will reduce our earnings. As a result of market conditions for our “available-for-sale” investments, we recognized $26.6 million of other-than-temporary impairment through our consolidated statements of operations during the year ended December 31, 2010.

A decline in the market value of our assets may also adversely affect us in instances where we have borrowed money based on the market value of those assets. If the market value of those assets declines, the lender may require us to post additional collateral to support the loan. If we were unable to post the additional collateral, we would have to repay some portion or all of the loan, which may require us to sell assets, which could potentially be under adverse market conditions. As a result, our earnings would be reduced or we could sustain losses, and cash available to make distributions could be reduced or eliminated.

Increases in interest rates and other factors could reduce the value of our investments, result in reduced earnings or losses and reduce our ability to pay distributions.

A significant risk associated with our investment in commercial real estate-related loans, CMBS and other debt instruments is the risk that either or both of long-term and short-term interest rates increase significantly. If long-term rates increase, the market value of our assets would decline. Even if assets underlying investments we may own in the future are guaranteed by one or more persons, including government or government-sponsored agencies, those guarantees do not protect against declines in market value of the related assets caused by interest rate changes. At the same time, with respect to assets that are not match-funded or that have been acquired with variable rate or short-term financing, an increase in short-term interest rates would increase our interest expense, reducing our net interest spread. This could result in reduced profitability and distributions.

Investing in mezzanine debt and mezzanine or other subordinated tranches of CMBS, bank loans and other ABS involves greater risks of loss than senior secured debt investments.

Subject to maintaining our qualification as a REIT and exclusion from regulation under the Investment Company Act, we invest in mezzanine debt and expect to invest in mezzanine or other subordinated tranches of CMBS, bank loans and other ABS. These types of investments carry a higher degree of risk of loss than senior secured debt investments such as our whole loan investments because, in the event of default and foreclosure, holders of senior liens will be paid in full before mezzanine investors and, depending on the value of the underlying collateral at the time of foreclosure, there may not be sufficient assets to pay all or any part of amounts owed to mezzanine investors. Moreover, our mezzanine and other subordinate debt investments may have higher loan-to-value ratios than conventional senior lien financing, resulting in less equity in the collateral and increasing the risk of loss of principal. If a borrower defaults or declares bankruptcy, we may be subject to agreements restricting or eliminating our rights as a creditor, including rights to call a default, foreclose on collateral, accelerate maturity or control decisions made in bankruptcy proceedings. In addition, the prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to economic downturns or individual issuer developments because the ability of obligors of instruments underlying the securities to make principal and interest payments may be impaired. In such event, existing credit support relating to the securities’ structure may not be sufficient to protect us against loss of our principal.

We have historically invested in small- and middle-ticket lease receivables to small- and mid-size businesses which may have greater risks of default than leases or loans to larger businesses.

We have historically invested in small- and middle-ticket lease receivables. Many of the obligors are small- to mid-size businesses. As a result, we may be subject to higher risks of lease default than if our obligors were larger businesses. While we will seek to repossess and re-lease or sell the equipment subject to a defaulted lease or note, we may not be able to do so on advantageous terms. If an obligor files for protection under the bankruptcy laws, we may experience difficulties and delays in recovering the equipment. Moreover, the equipment may be returned in poor condition and we may be unable to enforce important lease provisions against an insolvent obligor, including the contract provisions that require the obligor to return the equipment in good condition. In some cases, an obligor’s deteriorating financial condition may make trying to recover what the obligor owes impractical. The costs of recovering equipment upon an obligor’s default, enforcing the obligor’s obligations under the lease, and transporting, storing, repairing and finding a new obligor or purchaser for the equipment may be high. Higher than expected lease defaults will result in a loss of anticipated revenues. These losses may impair our ability to make distributions and reduce the market price of our common stock.

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Private equity investments involve a greater risk of loss than traditional debt financing.

On occasion, we have made private equity investments. Typically, these investments are subordinate to debt financing and are not secured. Should the issuer default on our investment, we would only be able to proceed against the entity that issued the private equity in accordance with the terms of the security, and not any property owned by the entity. In the event of bankruptcy or foreclosure, we would only be able to recoup our investment after any lenders to the entity are paid. As a result, we may not recover some or all of our investment, which could result in losses. Moreover, depending upon the existence of a market for the issuer's securities, the length of time we have held the investment and any rights we may have to require registration under the Securities Act, these investments may be highly illiquid so that we may not be able to sell these investments at times we would like to do so or at prices that reflect our cost or the value of the investment on our financial statements.

We record some of our portfolio investments at fair value as estimated by our management and, as a result, there will be uncertainty as to the value of these investments.

We currently hold, and expect that we will hold in the future, portfolio investments that are not publicly traded, including the securities of Resource TRS. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined under policies approved by our board of directors. Because such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have obtained if a ready market for them existed. The value of our common stock will likely decrease if our determinations regarding the fair value of these investments are materially higher than the values that we ultimately realize upon their disposal.

Our assets include bank loans and other ABS which will carry higher risks of loss than our real estate-related portfolio.

Subject to maintaining our qualification as a REIT and exclusion from regulation under the Investment Company Act, we invest in bank loans and other ABS. Our bank loan investments or our other ABS investments, which are principally backed by small business and bank loans, may not be secured by mortgages or other liens on assets or may involve higher loan-to-value ratios than our real estate-related investments. Our bank loan investments, and our ABS backed by loans, involve loans with a par amount of $207.8 million at December 31, 2010 that have an interest-only payment schedule or a schedule that does not fully amortize principal over the term of the loan, which will make repayment of the loan depend upon the borrower's liquidity or ability to refinance the loan at maturity. Numerous factors affect a borrower's ability to repay or refinance loans at maturity, including national and local economic conditions, a downturn in a borrower's industry, loss of one or more principal customers and conditions in the credit markets. A deterioration in a company's financial condition or prospects may be accompanied by a deterioration in the collateral for the bank loan or any ABS backed by such company's loans.

Risks Related to Our Manager

We depend on the Manager and Resource America and may not find suitable replacements if the management agreement terminates.

We have no employees. Our officers, portfolio managers, administrative personnel and support personnel are employees of Resource America. We have no separate facilities and completely rely on the Manager and, because the Manager has no direct employees, Resource America, which has significant discretion as to the implementation of our operating policies and investment strategies. If our management agreement terminates, we may be unable to find a suitable replacement for them. Moreover, we believe that our success depends to a significant extent upon the experience of the Manager's and Resource America's executive officers and senior portfolio managers, and in particular Jonathan Z. Cohen, Thomas C. Elliott, Jeffrey F. Brotman, Jeffrey D. Blomstrom, David J. Bryant, Christopher D. Allen, Gretchen Bergstresser, David Bloom, Crit DeMent, Joan Sapinsley and Alan F. Feldman, whose continued service is not guaranteed. The departure of any of the executive officers or senior portfolio managers could harm our investment performance.

We must pay the Manager the base management fee regardless of the performance of our portfolio.

The Manager is entitled to receive a monthly base management fee equal to 1/12 of our equity, as defined in the management agreement, times 1.50%, regardless of the performance of our portfolio. The Manager's entitlement to substantial non-performance based compensation might reduce its incentive to devote its time and effort to seeking profitable opportunities for our portfolio. This in turn could hurt our ability to make distributions to our stockholders.

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The incentive fee we pay the Manager may induce it to make riskier investments.

In addition to its base management fee, the Manager will receive incentive compensation, payable quarterly, equal to 25% of the amount by which our adjusted operating earnings, as defined in the management agreement, exceed the weighted average prices for our common stock in all of our offerings multiplied by the greater of 2.00% or 0.50% plus one-fourth of the average 10-year treasury rate for such quarter, multiplied by the weighted average number of common shares outstanding during the quarter. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead the Manager to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yields generally have higher risk of loss than investments with lower yields.

The Manager manages our portfolio pursuant to very broad investment guidelines and our board does not approve each investment decision, which may result in our making riskier investments.

The Manager is authorized to follow very broad investment guidelines. While our directors periodically review our investment guidelines and our investment portfolio, they do not review all of our proposed investments. In addition, in conducting periodic reviews, the directors may rely primarily on information provided to them by the Manager. Furthermore, the Manager may use complex strategies, and transactions entered into by the Manager may be difficult or impossible to unwind by the time they are reviewed by the directors. The Manager has great latitude within the broad investment guidelines in determining the types of investments it makes for us. Poor investment decisions could impair our ability to make distributions to our stockholders.

Our management agreement was not negotiated at arm's-length and, as a result, may not be as favorable to us as if it had been negotiated with a third party.

Our officers and three of our directors, Edward E. Cohen, Jonathan Z. Cohen, and Steven J. Kessler were officers or directors of the Manager or Resource America at the time the management agreement was negotiated. As a consequence, our management agreement was not the result of arm's-length negotiations and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

Termination of the management agreement by us without cause is difficult and could be costly.

Termination of our management agreement without cause is difficult and could be costly. We may terminate the management agreement without cause only annually following its initial term 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 our outstanding common stock, based upon unsatisfactory performance by the Manager that is materially detrimental to us or a determination that the management fee payable to the Manager is not fair. Moreover, with respect to a determination that the management fee is not fair, the Manager may prevent termination by accepting a mutually acceptable reduction of management fees. We must give not less than 180 days' prior notice of any termination. Upon any termination without cause, the Manager will be paid a termination fee equal to four times the sum of the average annual base management fee and the average annual incentive compensation earned by it during the two 12-month periods immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination.

The Manager and Resource America may engage in activities that compete with us.

Our management agreement does not prohibit the Manager or Resource America from investing in or managing entities that invest in asset classes that are the same as or similar to our targeted asset classes, except that they may not raise funds for, sponsor or advise any new publicly-traded REIT that invests primarily in mortgage-backed securities, or MBS, in the United States. The Manager's policies regarding resolution of conflicts of interest may be varied by it if economic, market, regulatory or other conditions make their application economically inefficient or otherwise impractical. Moreover, our officers, other than our Chief Financial Officer and three accounting professionals on his staff, and the officers, directors and employees of Resource America who provide services to us are not required to work full time on our affairs, and devote significant time to the affairs of Resource America. As a result, there may be significant conflicts between us, on the one hand, and the Manager and Resource America on the other, regarding allocation of the Manager's and Resource America's resources to the management of our investment portfolio.

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Our Manager's liability is limited under the management agreement, and we have agreed to indemnify our Manager against certain liabilities.

Our Manager does not assume any responsibility under the management agreement other than to render the services called for under it, and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Resource America, the Manager, their directors, managers, officers, employees and affiliates will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders for acts performed in accordance with and pursuant to the management agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement. We have agreed to indemnify the parties for all damages and claims arising from acts not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

We depend upon information systems of our manager to conduct our operations. Systems failures could significantly disrupt our business.

Our business depends on communications and information systems of our manager. Any failure or interruption of their systems could cause delays or other problems in our activities which could harm our operating results, cause the market price of our common stock to decline and reduce our ability to make distributions.

Risks Related to Real Estate Investments

The B notes in which we invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.

A B note is a loan typically secured by a first mortgage on a single large commercial property or group of related properties and subordinated to a senior note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B note owners after payment to the senior note owners. Since each transaction is privately negotiated, B notes can vary in their structural characteristics and risks. For example, the rights of holders of B notes to control the process following a borrower default may be limited in certain investments. We cannot predict the terms of each B note investment we will make. Further, B notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties. B notes also are less liquid than other forms of commercial real estate debt investments, such as CMBS, and, as a result, we may be unable to dispose of underperforming or non-performing investments. The higher risks associated with the subordinate position of our B note investments could subject us to increased risk of loss.

Our real estate debt investments will be subject to the risks inherent in the real estate securing or underlying those investments which could result in losses to us.

Commercial mortgage loans are secured by, and mezzanine loans depend on, the performance of the underlying, multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss, that are 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 or dependent upon an income-producing property typically depends primarily upon the successful operation of the 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 affected by, among other things:

- tenant mix, success of tenant businesses and property management decisions,
- property location and condition,
- competition from comparable types of properties,
- changes in laws that increase operating expenses or limit rents that may be charged,
- any need to address environmental contamination at the property,
- the occurrence of any uninsured casualty at the property,
- changes in national, regional or local economic conditions and/or the conditions of specific industry segments in which our lessees may operate,
- 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,
- increases in costs of construction material;
- changes in governmental rules, regulations and fiscal policies, including environmental legislation, and
- acts of God, terrorism, social unrest and civil disturbances.

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Although we currently hold no residential mortgage loans in our portfolio, in the past our portfolio has included substantial residential mortgage investments. Residential mortgage loans are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay these loans depends upon the borrower's income or assets. A number of factors, including national, regional or local economic downturns, acts of God, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. Economic problems specific to a borrower, such as loss of a job or medical problems, may also impair a borrower's ability to repay his or her loan.

We risk loss of principal on defaulted mortgage loans we hold to the extent of any deficiency between the value we can realize from the sale of the collateral securing the loan upon foreclosure, and the loan's principal and accrued interest. Moreover, foreclosure of a mortgage loan can be an expensive and lengthy process which could reduce the net amount we can realize on the foreclosed mortgage loan. In a bankruptcy of a mortgage loan borrower, the mortgage loan 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.

For a discussion of other risks associated with mezzanine loans, see "-Investing in mezzanine debt or mezzanine or other subordinated tranches of CMBS, bank loans and other ABS involves greater risks of loss than senior secured debt instruments."

Risks Related to Our Organization and Structure

Our charter and bylaws contain provisions that may inhibit potential acquisition bids that you and other stockholders may consider favorable, and the market price of our common stock may be lower as a result.
Our charter and bylaws contain provisions that may have an anti-takeover effect and inhibit a change in our board of directors. These provisions include the following:

- There are ownership limits and restrictions on transferability and ownership in our charter. For purposes of assisting us in maintaining our REIT qualification under the Internal Revenue Code, our charter generally prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of any class or series of our outstanding capital stock. This restriction may:

  - discourage a tender offer or other transactions or a change in the composition of our board of directors or control that might involve a premium price for our shares or otherwise be in the best interests of our stockholders; or

  - result in shares issued or transferred in violation of such restrictions being automatically transferred to a trust for a charitable beneficiary, resulting in the forfeiture of those shares.

- Our charter permits our board of directors to issue stock with terms that may discourage a third party from acquiring us. Our board of directors may amend our charter without stockholder approval to increase the total number of authorized shares of stock or the number of shares of any class or series and issue common or preferred stock having preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our board. Thus, our board could authorize the issuance of stock with terms and conditions that could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of our shares might receive a premium for their shares over the then-prevailing market price.

- Our charter and bylaws contain other possible anti-takeover provisions. Our charter and bylaws contain other provisions that may have the effect of delaying or preventing a change in control of us or the removal of existing directors and, as a result, could prevent our stockholders from being paid a premium for their common stock over the then-prevailing market price.

Maryland takeover statutes may prevent a change in control of us, and the market price of our common stock may be lower as a result.

Maryland Control Share Acquisition Act. Maryland law provides that "control shares" of a corporation acquired in a "control share acquisition" will have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to be cast on the matter under the Maryland Control Share Acquisition Act. The act defines "control shares" as voting shares of stock that, 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: one-tenth or more but less than one-third, one-third or more but less than a majority, or a majority or more of all voting power. A "control share acquisition" means the acquisition of control shares, subject to specific exceptions.

If voting rights or control shares acquired in a control share acquisition are not approved at a stockholders' meeting or if the acquiring person does not deliver an acquiring person statement as required by the Maryland Control Share Acquisition Act then, subject to specific conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such 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. Our bylaws contain a provision exempting acquisitions of our shares from the Maryland Control Share Acquisition Act. However, our board of directors may amend our bylaws in the future to repeal this exemption.

Business combinations. Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transferor issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which such person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- 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.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder.

Our rights and the rights of our stockholders 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.

Our charter limits the liability of our directors and officers to us and our stockholders 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 indemnify our present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present or former director or officer, to the maximum extent permitted by Maryland law, 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 to us. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

Our right to take action against the Manager is limited.

The obligation of the Manager under the management agreement is to render its services in good faith. It will not be responsible for any action taken by our board of directors or investment committee in following or declining to follow its advice and recommendations. Furthermore, as discussed above under "– Risks Related to Our Manager," it will be difficult and costly for us to terminate the management agreement without cause. In addition, we will indemnify the Manager, Resource America and their officers and affiliates for any actions taken by them in good faith.

We have not established a minimum distribution payment level and we cannot assure you of our ability to make distributions in the future. We may in the future use uninvested offering proceeds or borrowed funds to make distributions.

We expect to make quarterly distributions to our stockholders in amounts such that we distribute all or substantially all of our taxable income in each year, subject to certain adjustments. We have not established a minimum distribution payment level, and our ability to make distributions may be impaired by the risk factors described in this report. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT qualification 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. In addition, some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated taxable earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes. A return of capital is not taxable, but it has the effect of reducing the holder's tax basis in its investment. Although we currently do not expect that we will do so, we have in the past and may in the future also use proceeds from any offering of our securities that we have not invested or borrowed funds to make distributions. If we use uninvested offering proceeds to pay distributions in the future, we will have less funds available for investment and, as a result, our earnings and cash available for distribution would be less than we might otherwise have realized had such funds been invested. Similarly, if we borrow to fund distributions, our future interest costs would increase, thereby reducing our future earnings and cash available for distribution from what they otherwise would have been.

Loss of our exclusion from regulation under the Investment Company Act would require significant changes in our operations and could reduce the market price of our common stock and our ability to make distributions.

In order to be excluded from regulation under the Investment Company Act, we must comply with the requirements of one or more of the exclusions from the definition of investment company. Because we conduct our business through wholly-owned subsidiaries, we must ensure not only that we qualify for an exclusion from regulation under the Investment Company Act, but also that each of our subsidiaries so qualifies. If we fail to qualify for an exclusion, we could be required to restructure our activities or register as an investment company. Either alternative would require significant changes in our operations and could reduce the market price of our common stock. For example, if the market value of our investments in assets other than qualifying real estate assets or real estate-related assets were to increase beyond the levels permitted under the Investment Company Act exclusion upon which we rely or if assets in our portfolio were deemed not to be qualifying real estate assets as a result of SEC staff guidance, we might have to sell those assets or acquire additional qualifying real estate assets in order to maintain our exclusion. Any such sale or acquisition could occur under adverse market conditions. If we were required to register as an investment company, our use of leverage to fund our investment strategies would be significantly limited, which would limit our profitability and ability to make distributions, and we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons, portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

Rapid changes in the values of our real-estate related investments may make it more difficult for us to maintain our qualification as a REIT or exclusion from regulation under the Investment Company Act.

If the market value or income potential of our real estate-related investments declines as a result of current economic conditions, increased interest rates, prepayment rates or other factors, we may need to increase our real estate-related investments and income and/or liquidate our non-qualifying assets in order to maintain our REIT qualification or exclusion from the Investment Company Act. If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of many of our non-real estate assets. We may have to make investment decisions that we otherwise would not make absent REIT qualification and Investment Company Act considerations.

Tax Risks

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our investment performance.

In particular, at least 75% of our assets at the end of each calendar quarter must consist of real estate assets, government securities, cash and cash items. For this purpose, "real estate assets" generally include interests in real property, such as land, buildings, leasehold interests in real property, stock of other entities that qualify as REITs, interests in mortgage loans secured by real property, investments in stock or debt instruments during the one-year period following the receipt of new capital and regular or residual interests in a real estate mortgage investment conduit, or REMIC. In addition, the amount of securities of a single issuer, other than a TRS, that we hold must generally not exceed either 5% of the value of our gross assets or 10% of the vote or value of such issuer's outstanding securities.

Certain of the assets that we hold or intend to hold, including interests in CDOs or corporate leveraged loans, are not qualified and will not be qualified real estate assets for purposes of the REIT asset tests. ABS-RMBS and CMBS securities should generally qualify as real estate assets. However, to the extent that we own non-REMIC collateralized mortgage obligations or other debt instruments secured by mortgage loans (rather than by real property) or secured by non-real estate assets, or debt securities that are not secured by mortgages on real property, those securities are likely not qualifying real estate assets for purposes of the REIT asset test, and will not produce qualifying real estate income. Further, whether securities held by warehouse lenders or financed using repurchase agreements are treated as qualifying assets or as generating qualifying real estate income for purposes of the REIT asset and income tests depends on the terms of the warehouse or repurchase financing arrangement.

We generally will be treated as the owner of any assets that collateralize CDO transactions to the extent that we retain all of the equity of the securitization vehicle and do not make an election to treat such securitization vehicle as a TRS, as described in further detail below. It may be possible to reduce the impact of the REIT asset and gross income requirements by holding certain assets through our TRSs, subject to certain limitations as described below.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may depend on the accuracy of legal opinions or advice rendered or given or statements by the issuers of securities in which we invest, 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 have relied and 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 CDO equity, we have relied and may rely on opinions or advice of counsel regarding the qualification of interests in the debt of such CDOs 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.

We may realize excess inclusion income that would increase our tax liability and that of our stockholders.

If we realize excess inclusion income and allocate it to stockholders, this income cannot be offset by net operating losses of the stockholders. If the stockholder is a tax-exempt entity, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Internal Revenue Code. If the stockholder is a foreign person, it would be subject to federal income tax withholding on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

Excess inclusion income could result if we hold a residual interest in a REMIC. Excess inclusion income also could be generated if we issue debt obligations, such as certain CDOs, with two or more maturities and the terms of the payments on these obligations bore a relationship to the payments that we received on our mortgage related securities securing those debt obligations, i.e., if we were to own an interest in a taxable mortgage pool. While we do not expect to acquire significant amounts of residual interests in REMICs, we do own residual interests in taxable mortgage pools, which means that we will likely generate significant amounts of excess inclusion income.

If we realize excess inclusion income, we will be taxed at the highest corporate income tax rate on a portion of such income that is allocable to the percentage of our stock held in record name by "disqualified organizations," which are generally cooperatives, governmental entities and tax-exempt organizations that are exempt from unrelated business taxable income. To the extent that our 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 corporate level tax on the portion of our excess inclusion income allocable to the stock held by the broker/dealer or other nominee on behalf of "disqualified organizations." We expect that disqualified organizations will own our stock. Because this tax would be imposed on us, all of our investors, including investors that are not disqualified organizations, would 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 other pass through entity owning stock in record name will be subject to tax at the highest corporate rate on any excess inclusion income allocated to its owners that are disqualified organizations. Finally, if we fail to qualify as a REIT, our taxable mortgage pool securitizations will be treated as separate corporations, for federal income tax purposes that cannot be included in any consolidated corporate tax return.

Failure to qualify as a REIT would subject us to federal income tax, which would reduce the cash available for distribution to our stockholders.

We believe that we have been organized and operated in a manner that has enabled us to qualify as a REIT for federal income tax purposes commencing with our taxable year ended on December 31, 2005. However, the federal income tax laws governing REITs are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis.

If we fail to qualify as a REIT in any calendar year and we do not qualify for certain statutory relief provisions, we will be subject to federal income tax, including any applicable alternative minimum tax on our taxable income, at regular corporate rates. Distributions to stockholders would not be deductible in computing our taxable income. Corporate tax liability would reduce the amount of cash available for distribution to our stockholders. Under some circumstances, we might need to borrow money or sell assets in order to pay that tax. Furthermore, if we fail to maintain our qualification as a REIT and we do not qualify for the statutory relief provisions, we no longer would be required to distribute substantially all of our REIT taxable income, determined without regard to the dividends paid deduction and not including net capital gains, to our stockholders. Unless our failure to qualify as a REIT were excused under federal tax laws, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify. In addition, if we fail to qualify as a REIT, our taxable mortgage pool securitizations will be treated as separate corporations for U.S. federal income tax purposes.

Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our stockholders.

In order to qualify as a REIT, in each calendar year we must distribute to our stockholders at least 90% of our REIT taxable 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 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 the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income for that year; and
- 100% our undistributed taxable income from prior years.

We intend to make distributions to our stockholders in a manner intended to satisfy the 90% distribution requirement and to distribute all or substantially all of our net taxable income to avoid both corporate income tax and the 4% nondeductible excise tax. There is no requirement that a domestic TRS distribute its after-tax net income to its parent REIT or their stockholders and Resource TRS may determine not to make any distributions to us. However, non-U.S. TRSs, such as Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, which we discuss in “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” will generally be deemed to distribute their earnings to us on an annual basis for federal income tax purposes, regardless of whether such TRSs actually distribute their earnings.

Generally, dividends payable in stock are not treated as dividends for purposes of the deduction for dividends, or as taxable dividends to the recipient. A complex set of rules applies when a distribution is made partially in stock and partially in cash and different shareholders receive different proportions of each. The Internal Revenue Service, in Revenue Procedure 2010-12, has given guidance with respect to certain stock distributions by publicly traded REITS (and RICs). That Revenue Procedure applies to distributions made on or after January 1, 2008 and declared with respect to a taxable year ending on or before December 31, 2011. It provides that publicly-traded REITS can distribute stock (common shares in our case) to satisfy their REIT distribution requirements if stated conditions are met. These conditions include that at least 10% of the aggregate declared distributions be paid in cash and the shareholders be permitted to elect whether to receive cash or stock, subject to the limit set by the REIT on the cash to be distributed in the aggregate to all shareholders. We did not use this Revenue Procedure with respect to any distributions for our 2008, 2009, and 2010 taxable years, but may do so for distributions with respect to 2011.

Our taxable income may substantially exceed our net income as determined by GAAP because, for example, realized capital losses will be deducted in determining our GAAP net income but may not be deductible in computing our taxable income. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets, referred to as phantom income. Although some types of phantom income are excluded to the extent they exceed 5% of our REIT taxable income in determining the 90% distribution requirement, we will incur corporate income tax and the 4% nondeductible excise tax with respect to any phantom income items if we do not distribute those items on an annual basis. As a result, we may generate less cash flow than taxable income in a particular year. In that event, we may be required to use cash reserves, incur debt, or liquidate non-cash assets at rates or times that we regard as unfavorable in order to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in that year.

If we make distributions in excess of our current and accumulated earnings and profits, they will be treated as a return of capital, which will reduce the adjusted basis of your stock. To the extent such distributions exceed your adjusted basis, you may recognize a capital gain.

Unless you are a tax-exempt entity, distributions that we make to you generally will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits as determined for federal income tax purposes. If the amount we distribute to you exceeds your allocable share of our current and accumulated earnings and profits, the excess will be treated as a return of capital to the extent of your adjusted basis in your stock, which will reduce your basis in your stock but will not be subject to tax. To the extent the amount we distribute to you exceeds both your allocable share of our current and accumulated earnings and profits and your adjusted basis, this excess amount will be treated as a gain from the sale or exchange of a capital asset. For risks related to the use of uninvested offering proceeds or borrowings to fund distributions to stockholders, see "− Risks Related to Our Organization and Structure − We have not established a minimum distribution payment level and we cannot assure you of our ability to make distributions in the future."

Our ownership of and relationship with our TRSs will be limited and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the securities of one or more TRSs. A TRS may earn specified types of income or hold specified assets that would not be qualifying income or assets if earned or held directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% (20% for our 2009 and prior taxable years) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns, whether or not it distributes that income to us. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also 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.

Resource TRS will pay 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. Income that is not distributed to us by Resource TRS will not be subject to the REIT 90% distribution requirement and therefore will not be available for distributions to our stockholders. We anticipate that the aggregate value of the securities of Resource TRS, together with the securities we hold in our other TRSs, including Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, will be less than 25% of the value of our total assets, including our TRS securities. We will monitor the compliance of our investments in TRSs with the rules relating to value of assets and transactions not on an arm's-length basis. We cannot assure you, however, that we will be able to comply with such rules.

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

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge mortgage-backed securities and related borrowings. Under these provisions, our annual gross income from qualifying and non-qualifying hedges of our borrowings, together with any other income not generated from qualifying real estate assets, cannot exceed 25% of our gross income. In addition, our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income determined without regard to income from qualifying hedges. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through Resource TRS. This could increase the cost of our hedging activities or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

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

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were able to sell or securitize loans in a manner that was treated as a sale of the loans for federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans and may limit the structures we utilize for our securitization transactions even though such sales or structures might otherwise be beneficial to us.

Tax law changes could depress the market price of our common stock.

The federal income tax laws governing REITs or the administrative interpretations of those laws may be amended at any time. We cannot predict when or if any new federal income tax law or administrative interpretation, or any amendment to any existing federal income tax law or administrative interpretation, will become effective and any such law or interpretation may take effect retroactively. Tax law changes could depress our stock price or restrict our operations.

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Dividends paid by REITs do not qualify for the reduced tax rates provided for under current law.

Dividends paid by REITs are generally not eligible for the reduced 15% maximum tax rate for dividends paid to individuals under current law. The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of the stocks of REITs.

We may lose our REIT qualification or be subject to a penalty tax if the Internal Revenue Service successfully challenges our characterization of income inclusions from our foreign TRSs.

We likely will be required to include in our income, even without the receipt of actual distributions, earnings from our foreign TRSs, including from our current and contemplated equity investments in CDOs, such as our investment in Apidos CDO I, Apidos CDO III and Apidos Cinco CDO. We intend to treat certain of these income inclusions as qualifying income for purposes of the 95% gross income test applicable to REITs but not for purposes of the REIT 75% gross income test. The provisions that set forth what income is qualifying income for purposes of the 95% gross income test provide that gross income derived from dividends, interest and other enumerated classes of passive income qualify for purposes of the 95% gross income test. Income inclusions from equity investments in our foreign TRSs are technically neither dividends nor any of the other enumerated categories of income specified in the 95% gross income test for U.S. federal income tax purposes, and there is no clear precedent with respect to the qualification of such income for purposes of the REIT gross income tests. However, based on advice of counsel, we intend to treat such income inclusions, to the extent distributed by a foreign TRS in the year accrued, as qualifying income for purposes of the 95% gross income test. Nevertheless, because this income does not meet the literal requirements of the REIT provisions, it is possible that the IRS could successfully take the position that it is not qualifying income. In the event that it was determined not to qualify for the 95% gross income test, we would be subject to a penalty tax with respect to the income to the extent it and other nonqualifying income exceeds 5% of our gross income and/or we could fail to qualify as a REIT. See “Federal Income Tax Consequences of Our Qualification as a REIT.” In addition, if such income was determined not to qualify for the 95% gross income test, we would need to invest in sufficient qualifying assets, or sell some of our interests in our foreign TRSs to ensure that the income recognized by us from our foreign TRSs or such other corporations does not exceed 5% of our gross income, or cease to qualify as a REIT.

The failure of a loan subject to a repurchase agreement or a mezzanine loan to qualify as a real estate asset would adversely affect our ability to qualify as a REIT.

We have entered into and we intend to continue to enter into sale and repurchase agreements under which we nominally sell certain of our loan assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we have been and will be treated for U.S. federal income tax purposes as the owner of the loan assets that are the subject of any such agreement notwithstanding that the agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the loan assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

In addition, we have acquired and will continue to acquire mezzanine loans, which are loans secured by equity interest in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. We have acquired and will continue to acquire mezzanine loans that may not meet all of the requirements for reliance on this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge the loan’s treatment as a real estate asset for purposes of the REIT asset and income tests, and if the challenge were sustained, we could fail to qualify as a REIT.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Philadelphia, Pennsylvania:

We maintain offices through our Manager. Our Manager maintains executive and corporate offices at One Crescent Drive in the Philadelphia Navy Yard under a lease for 13,484 square feet that expires in May 2019. Certain of its financial fund management and real estate operations are also located in these offices. Our Manager also leases 21,554 square feet for additional executive office space and for certain of our real estate operations at 1845 Walnut Street, Philadelphia, Pennsylvania. This lease expires in May 2013. We believe that our facilities are adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

ITEM 4. [OMITTED AND RESERVED]

Omitted and Reserved pursuant to SEC Release 33-9089A.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the New York Stock Exchange under the symbol "RSO" since our initial public offering in February 2006. The following table sets forth for the indicated periods the high and low prices for our common stock, as reported on the New York Stock Exchange, and the dividends declared and paid during our past two fiscal years:

	High	Low	Dividends Declared
Fiscal 2010			
Fourth Quarter	$ 7.65	$ 6.27	$ 0.25(1)
Third Quarter	$ 6.68	$ 5.17	$ 0.25
Second Quarter	$ 7.47	$ 5.15	$ 0.25
First Quarter	$ 7.18	$ 5.05	$ 0.25
Fiscal 2009			
Fourth Quarter	$ 5.40	$ 4.33	$ 0.25
Third Quarter	$ 6.21	$ 2.76	$ 0.30
Second Quarter	$ 3.89	$ 2.96	$ 0.30
First Quarter	$ 3.83	$ 1.50	$ 0.30

(1) We distributed a regular dividend of $0.25 on January 26, 2011, to stockholders of record as of December 31, 2010.

We are organized and conduct our operations to qualify as a real estate investment trust, or a REIT, which requires that we distribute at least 90% of our REIT taxable income. Therefore, we intend to continue to declare quarterly distributions on our common stock. No assurance, however, can be given as to the amounts or timing of future distributions as such distributions are subject to our earnings, financial condition, capital requirements and such other factors as our board of directors seems relevant.

As of March 8, 2011, there were 61,943,670 common shares outstanding held by 281persons of record.

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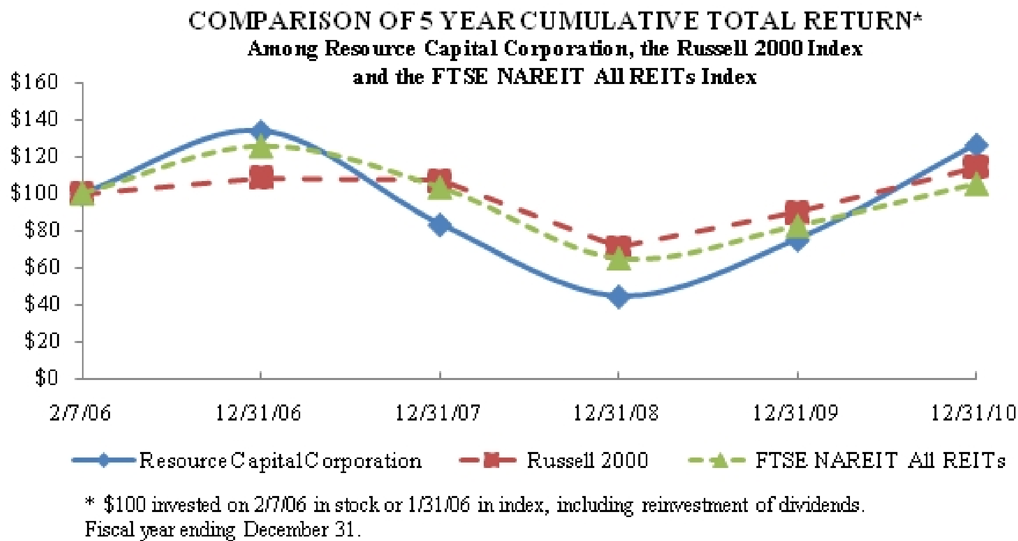
See Item 12 – "Security Ownerships of Certain Beneficial Owners and Management and Related Stockholder Matters" for information relating to securities authorized for issuance under our equity compensation plans.

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

In accordance with the provisions of the management agreement, on January 31, 2010, July 31, 2010 and October 31, 2010 we issued 73,815, 124,688 and 53,490 shares of common stock, respectively, to our Manager. These shares represented 25% of the Manager's quarterly incentive compensation fee that accrued for the three months ended December 31, 2009, for the three months ended June 30, 2010 and for the three months ended September 30, 2010, respectively. The issuance of these shares was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof.

Performance Graph

The following line graph presentation compares cumulative total shareholder returns of our common stock with the Russell 2000 Index and the NAREIT All REIT Index for the period from February 10, 2006 to December 31, 2010. The graph and table assume that $100 was invested in each of our common stock, the Russell 2000 Index and the NAREIT All REIT Index on February 10, 2006, and that all dividends were reinvested. This data was furnished by the Research Data Group.



* $100 invested on 2/7/06 in stock or 1/31/06 in index, including reinvestment of dividends.
Fiscal year ending December 31.

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ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF RESOURCE CAPITAL CORP AND SUBSIDIARIES

The following selected financial and operating information should be read in conjunction with Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes, included elsewhere herein (in thousands, except share data).

	As of and for the years ended December 31,				
	2010	2009	2008	2007	2006
Consolidated Statement of Operations Data:					
REVENUES:					
Interest income	$ 103,911	$ 97,593	$ 134,341	$ 176,995	$ 137,075
Interest expense	36,466	45,427	79,619	121,564	101,851
Net interest income	67,445	52,166	54,722	55,431	35,224
OPERATING EXPENSES	32,608	16,059	12,438	13,415	11,144
	34,837	36,107	42,284	42,016	24,080
OTHER (EXPENSES) REVENUES:					
Impairment losses on investment securities	(29,042)	(27,490)	(26,611)	(48,853)	(2,612)
Recognized in other comprehensive loss	(2,238)	(14,019)	(26,611)	(22,576)	(2,612)
Net impairment losses recognized in earnings	(26,804)	(13,471)	–	(26,277)	–
Net realized gain (loss) on investment securities available-for-sale and loans	4,821	1,890	(1,637)	(15,098)	(8,627)
Net realized gain on investments securities-trading	5,052	–	–	–	–
Net unrealized gain on investments securities-trading	9,739	–	–	–	–
Gain on deconsolidation	–	–	–	14,259	–
Provision for loan and lease losses	(43,321)	(61,383)	(46,160)	(6,211)	–
Gain on the extinguishment of debt	34,610	44,546	1,750	–	–
Gain on the settlement of loan	–	–	574	–	–
Other income (expense)	513	(1,350)	115	201	153
Total other (expense) revenue	(15,390)	(29,768)	(45,358)	(33,126)	(8,474)
NET INCOME (LOSS)	$ 19,447	$ 6,339	$ (3,074)	$ 8,890	$ 15,606
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 29,488	$ 51,991	$ 14,583	$ 6,029	$ 5,354
Restricted cash	168,192	85,125	60,394	119,482	30,721
Investment securities-trading	17,723	–	–	–	–
Investment securities available-for-sale, pledged as collateral, at fair value	57,998	39,304	22,466	65,464	420,997
Investment securities available-for-sale, at fair value	5,962	5,238	6,794	–	–
Investment securities held-to-maturity, pledged as collateral	29,036	31,401	28,157	18,517	3,978
Property available-for-sale	4,444	–	–	–	–
Loans, pledged as collateral and net of allowances of $34.2 million, $47.1 million, $43.9 million, $0 and $0	1,443,271	1,557,757	1,684,622	1,748,122	1,236,310
Loans held for sale	28,593	8,050	–	–	–
Lease receivables, net of allowances of $70,000, $1.1 million, $450,000, $293,000 and $0, net of unearned income	109,612	927	104,015	95,030	88,970
Total assets	1,934,200	1,791,404	1,936,031	2,072,148	1,802,829
Borrowings	1,543,251	1,534,874	1,699,763	1,760,969	1,463,853
Total liabilities	1,585,874	1,562,574	1,749,726	1,800,542	1,485,278
Total stockholders' equity	348,326	228,830	186,305	271,606	317,551
Per Share Data:					
Dividends declared per common share	$ 1.00	$ 1.15	$ 1.60	$ 1.62	$ 1.49
Net income (loss) per share – basic	$ 0.41	$ 0.25	$ (0.12)	$ 0.36	$ 0.89
Net income (loss) per share – diluted	$ 0.41	$ 0.25	$ (0.12)	$ 0.36	$ 0.87
Weighted average number of shares outstanding - basic	47,715,082	25,205,403	24,757,386	24,610,468	17,538,273
Weighted average number of shares outstanding - diluted	47,907,281	25,355,821	24,757,386	24,860,184	17,881,355

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information to assist you in understanding our financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. This discussion contains forward-looking statements. Actual results could differ materially from those expressed in or implied by those forward looking statements. Please see "Forward-Looking Statements" and "Risk Factors" for a discussion of certain risks, uncertainties and assumptions associated with those statements.

Overview

We are a specialty finance company that focuses primarily on commercial real estate and commercial finance. We are organized and conduct our operations to qualify as a REIT under Subchapter M of the Internal Revenue Code of 1986, as amended. Our objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategy. We invest in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. We have financed a substantial portion of our portfolio investments through borrowing strategies seeking to match the maturities and repricing dates of our financings with the maturities and repricing dates of those investments, and have sought to mitigate interest rate risk through derivative instruments.

We are externally managed by Resource Capital Manager, Inc., a wholly-owned indirect subsidiary of Resource America, Inc. (NASDAQ: REXI), or Resource America, a specialized asset management company that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through its commecial real estate, commercial finance and financial fund management operating segments. As of December 31, 2010, Resource America managed approximately $12.0 billion of assets in these sectors. To provide its services, the Manager draws upon Resource America, its management team and their collective investment experience.

We generate our income primarily from the spread between the revenues we receive from our assets and the cost to finance the purchase of those assets and hedge interest rate risks. We generate revenues from the interest and fees we earn on our whole loans, A notes, B notes, mezzanine debt, commercial mortgage-backed securities, or CMBS, bank loans, payments on lease receivables and other asset-backed securities, or ABS. Historically, we have used a substantial amount of leverage to enhance our returns and we have financed each of our different asset classes with different degrees of leverage. The cost of borrowings to finance our investments comprises a significant part of our expenses. Our net income depends on our ability to control these expenses relative to our revenue. In our bank loans, CMBS, lease receivables and other ABS, we historically have used warehouse facilities as a short-term financing source and collateralized debt obligations, or CDOs, and, to a lesser extent, other term financing as a long-term financing source. In our commercial real estate loan portfolio, we historically have used repurchase agreements as a short-term financing source, and CDOs and, to a lesser extent, other term financing as a long-term financing source. Our other term financing has consisted of long-term match-funded financing provided through long-term bank financing and asset-backed financing programs, depending upon market conditions and credit availability.

Ongoing problems in real estate and credit markets continue to impact our operations, particularly our ability to generate capital and financing to execute our investment strategies. These problems have also affected a number of our commercial real estate borrowers and, with respect to 27 of our commercial real estate loans, caused us to enter into loan modifications. We have increased our allowance for loan and lease losses to reflect the effect of these conditions on our borrowers and have recorded both temporary and other than temporary impairments in the market valuation of the CMBS and other ABS in our investment portfolio. While we believe we have appropriately valued the assets in our investment portfolio at December 31, 2010, we cannot assure you that further impairments will not occur or that our assets will otherwise not be adversely effected by market conditions.

The events occurring in the credit markets have impacted our financing and investing strategies and, as a result, our ability to originate new investments and to grow. The market for securities issued by new securitizations collateralized by assets similar to those in our investment portfolio had largely disappeared until mid 2010. During 2010, we began to see the previously frozen credit markets begin to thaw and in May 2010 we closed a new $120.0 million securitization on our equipment leasing portfolio. In addition, in February 2011, we entered into a $100.0 million, two year term facility with Wells Fargo to purchase CMBS. Because of rising U.S. treasury rates and hedge contracts that matured, we received proceeds from margin calls related to our interest rate derivatives of $2.1 million during the year ended December 31, 2010.

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Credit market conditions and the recessionary economy have also resulted in an increasing number of loan modifications, particularly in our commercial real estate, or CRE loans. Borrowers have experienced deterioration in the performance of the properties we have financed or delays in implementing their business plans. In order to assist our borrowers in effectuating their business plans, including the leasing and repositioning of the underlying assets, we have been willing to enter into loan modifications that would adapt our financing to their particular situations. The most common loan modifications have included term extensions and modest interest rate reductions through the lowering of London Interbank Offered Rate, or LIBOR, floors, offset by increased interest rate spreads over LIBOR. In exchange for the loan modifications, we have received partial principal pay-downs, new equity investment commitments in the properties from the borrowers or their principals, additional fees and other structural improvements and credit enhancements to the loans. Since the beginning of 2008 through December 31, 2010, we have modified 27 commercial real estate, or CRE, loans. Management determined that one of these modifications was due to financial distress of the borrower and accordingly, qualified as a troubled debt restructuring. We expect that we may have more CRE loan modifications in the future. Subsequent to year end, management modified an additional loan due to financial stress of the borrower.

As economic conditions improve and we begin to access the credit markets on acceptable terms, our principal strategies are to manage our liquidity and originate new assets primarily through capital recycling as loan payoffs and paydowns occur and through existing capacities within our completed securitizations. The following is a summary of repayments we received during the year ended December 31, 2010:

- $17.7 million of commercial real estate loans paid off;
- $31.7 million of commercial real estate loan principal repayments;
- $36.8 million at commercial real estate loan sale proceeds;
- $267.0 million of bank loan principal repayments; and
- $57.6 million of bank loan sale proceeds.

We have used recycled capital in our CRE CDO and bank loan CLO structures to make new investments at discounts to par. We expect that the reinvested capital and related discount will produce additional income as the discount is accreted through interest income. In addition, the purchase of these investments at discounts allows us to build collateral in the CDO and CLO structures since we receive credit in these structures for these investments at par. During 2010 and 2009, we purchased CMBS which had $88.7 million par value at a discount to par of 22.5%, and bank loans which had $608.8 million par value at a discount to par of 9.0%. From the net discounts of approximately $32.8 million and $55.0 million, we expect to recognize income of approximately $5.5 million and $9.4 million in our CRE CDO and bank loan CLO portfolio, respectively, in 2011.

During 2010, we invested $5.0 million through Resource TRS, our taxable REIT subsidiary, in structured finance vehicles, principally CLO equity, which we have classified as trading securities. Because of the success of that new investment, we committed an additional $8.0 million through February 2011. Beginning in October 2010 through February 2011, we have underwritten three new CRE loans for a total of $24.2 million. We also purchased three newly underwritten CMBS for $7.2 million in February 2011 in conjunction with the Wells Fargo facility. Furthermore, in January 2011, we have continued to invest in the lease receivable portfolio and made a preferred stock investment in Leaf Commercial Capital, Inc, a recently formed equipment leasing enterprise and a subsidiary of our Manager. In February 2011, we purchased a company that manages $1.9 billion of bank loan assets and are entitled to collect senior, subordinated and incentive management fees. These recent asset purchases and credit market events indicate that we expect to be able to invest a significant portion of our available unrestricted and restricted cash balances and, as a result, modestly grow our net interest income in 2011.

We expect to continue to generate net investment income from our current investment portfolio and generate dividends for our shareholders.

As of December 31, 2010, we had invested 76.7% of our portfolio in CRE assets, 18.4% in commercial bank loans, 3.1% in lease receivables and 1.8% in structured notes. As of December 31, 2009, we had invested 76.4% of our portfolio in CRE assets, 23.2% in commercial bank loans and 0.4% in lease receivables.

Results of Operations

Our net income for the year ended December 31, 2010 was $19.4 million, or $0.41 per share (basic and diluted), as compared to net income of $6.3 million, or $0.25 per share (basic and diluted), for the year ended December 31, 2009, and compared to a net loss of $3.1 million, or ($0.12) per share (basic and diluted), for the year ended December 31, 2008.

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Interest Income

The following tables set forth information relating to our interest income recognized for the periods presented (in thousands, except percentages):

	Years Ended December 31, 2010	2009	2008
Interest income:			
Interest income from loans:			
Bank loans	$ 43,970	$ 35,770	$ 53,172
Commercial real estate loans	32,866	48,793	63,936
Total interest income from loans	76,836	84,563	117,108
Interest income from securities:			
CMBS-private placement	9,768	5,404	4,425
Securities held-to-maturity	1,466	1,807	1,934
Other ABS	200	14	19
Total interest income from securities available-for-sale	11,434	7,225	6,378
Leasing	11,306	4,336	8,180
Interest income – other:			
Interest income – other [1]	–	–	997
Preference payments on structured notes	3,112	–	–
Temporary investment in over-night repurchase agreements	1,223	1,469	1,678
Total interest income – other	4,335	1,469	2,675
Total interest income	$ 103,911	$ 97,593	$ 134,341

(1) Represents cash received on our 90% equity investment in Ischus CDO II in excess of our investment. Income on this investment was recognized using the cost recovery method.

	Year Ended December 31, 2010 Weighted Average		Year Ended December 31, 2009 Weighted Average		Year Ended December 31, 2008 Weighted Average	
	Yield	Balance	Yield	Balance	Yield	Balance
Interest income:						
Interest income from loans:						
Bank loans	4.82%	$ 907,582	3.87%	$ 943,854	5.62%	$ 947,753
Commercial real estate loans	4.68%	$ 694,153	6.12%	$ 785,380	7.48%	$ 840,874
Interest income from securities:						
CMBS-private placement	6.97%	$ 140,377	5.90%	$ 90,784	5.76%	$ 76,216
Securities held-to-maturity	4.12%	$ 35,295	5.28%	$ 33,249	7.72%	$ 25,782
Other ABS	8.71%	$ 2,300	4.98%	$ 281	0.32%	$ 6,000
Leasing	15.61%	$ 75,008	6.88%	$ 65,300	8.68%	$ 94,864

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The following tables summarize interest income for the years indicated (in thousands, except percentages):

Type of Security	Coupon Interest	Unamortized (Discount) Premium	Net Amortization /Accretion	Interest Income	Fee Income	Total
Year Ended December 31, 2010:						
Bank loans	3.24%	$ (26,568)	$ 13,919	$ 30,051	$ –	$ 43,970
Commercial real estate loans	4.50%	$ (171)	(15)	32,163	718	32,866
Total interest income from loans			13,904	62,214	718	76,836
CMBS-private placement	3.79%	$ (23,294)	4,359	5,410	–	9,768
Securities held-to-maturity	2.45%	$ (2,844)	409	1,056	–	1,466
Other ABS			–	200	–	200
Total interest income from securities			4,768	6,666	–	11,434
Leasing			–	11,306	–	11,306
Preference payments on structured notes			–	3,112	–	3,112
Other			–	1,223	–	1,223
Total interest income – other			–	4,335	–	4,335
Total interest income			$ 18,672	$ 84,521	$ 718	$ 103,911
Year Ended December 31, 2009:						
Bank loans	3.13%	$ (27,682)	$ 6,955	$ 28,815	$ –	$ 35,770
Commercial real estate loans	5.96%	$ (30)	66	48,094	633	48,793
Total interest income from loans			7,021	76,909	633	84,563
CMBS-private placement	4.28%	$ (29,030)	1,460	3,944	–	5,404
Securities held-to-maturity	4.54%	$ (3,103)	238	1,569	–	1,807
Other ABS			–	14	–	14
Total interest income from securities			1,698	5,527	–	7,225
Leasing			–	4,336	–	4,336
Preference payments on structured notes			–	–	–	–
Other			–	1,469	–	1,469
Total interest income – other			–	1,469	–	1,469
Total interest income			$ 8,719	$ 88,241	$ 633	$ 97,593
Year Ended December 31, 2008:						
Bank loans	5.53%	$ (8,459)	$ 946	$ 52,226	$ –	$ 53,172
Commercial real estate loans	7.18%	$ (8)	88	63,059	789	63,936
Total interest income from loans			1,034	115,285	789	117,108
CMBS-private placement	5.18%	$ (3,680)	444	3,981	–	4,425
Securities held-to-maturity	7.54%	$ (87)	–	1,934	–	1,934
Other ABS			–	19	–	19
Total interest income from securities			444	5,934	–	6,378
Leasing			–	8,180	–	8,180
Preference payments on structured notes			–	–	–	–
Other			–	2,675	–	2,675
Total interest income – other			–	2,675	–	2,675
Total interest income			$ 1,478	$ 132,074	$ 789	$ 134,341

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Year Ended December 31, 2010 as compared to Year Ended December 31, 2009

Aggregate interest income increased $6.3 million (6%) to $103.9 million for the year ended December 31, 2010, from $97.6 million for the year ended December 31, 2009. We attribute this increase to the following:

Interest Income from Loans

Aggregate interest income from loans decreased $7.8 million (9%) to $76.8 million for the year ended December 31, 2010 from $84.6 million for the year ended December 31, 2009.

Commercial real estate loans produced $32.9 million of interest income for the year ended December 31, 2010 as compared to $48.8 million for the year ended December 31, 2009, a decrease of $15.9 million (33%). This decrease resulted from the following:

- a decrease in the weighted average balance of assets of $91.2 million to $694.2 million for the year ended December 31, 2010 from $785.4 million for the year ended December 31, 2009 primarily as a result of payoffs and paydowns and to a lesser extent write-offs of impaired loans; and

- a decrease in the weighted average yield on our assets to 4.68% for the year ended December 31, 2010 from 6.12% for the year ended December 31, 2009 primarily due to decreases in LIBOR floors, which is a reference index for the rates payable on these loans, from loan modifications during 2009 and 2010. There were $310.9 million of loans with a weighted average LIBOR floor of 2.37% as of December 31, 2009 that decreased to $157.4 million of loans with a weighted average LIBOR floor of 2.24% as of December 31, 2010.

The decrease in commercial real estate loans was partially offset by an increase in interest income on bank loans which generated $44.0 million of interest income for the year ended December 31, 2010 as compared to $35.8 million for the year ended December 31, 2009, an increase of $8.2 million (23%). This increase resulted primarily from an increase in the weighted average yield earned by our bank loans to 4.82% for the year ended December 31, 2010 from 3.87% for the year ended December 31, 2009. This was principally a result of an increase in accretion income to $13.9 million for the year ended December 31, 2010 as compared to $7.0 million for the year ended December 31, 2009. The increase in accretion income is the result of the purchase of $608.8 million of bank loans at discounts during 2009 and 2010 and the accretion of those discounts into income. These discounted loan purchases are made as we reinvest the proceeds from loan payoffs from our borrowers and from the loans we have sold, typically for credit reasons.

The increase in bank loan accretion income was partially offset by a decrease in the weighted average balance on these loans of $36.3 million to $907.6 million for the year ended December 31, 2010, from $943.9 million for the year ended December 31, 2009, as a result of write-offs of several loans in the last quarter of 2009 and the first quarter of 2010 as well as the timing of when loans were sold or paid down and the proceeds reinvested.

Interest Income from Securities

Aggregate interest income from securities available-for-sale increased $4.2 million (58%) to $11.4 million for the year ended December 31, 2010 from $7.2 million for the year ended December 31, 2009. The increase in interest income from securities available-for-sale resulted principally from the following:

CMBS-private placement increased $4.4 million (81%) to $9.8 million for the year ended December 31, 2010 from $5.4 million for the year ended December 31, 2009. We attribute the increase primarily to the following:

- an increase in the weighted average balance of assets of $49.6 million to $140.0 million for the year ended December 31, 2010 from $90.8 million for the year ended December 31, 2009, principally as a result of the purchase of $37.1 million par value of assets during the year ended December 31, 2010, and during the last half of the year ended December 31, 2009. This was partially offset by the impairment and subsequent non-payment of $24.8 million par value of assets during the fourth quarter of 2009 and in 2010; and

- an increase in the weighted average yield to 6.97% for the year ended December 31, 2010 from 5.90% for the year ended December 31, 2009 primarily as a result of an increase of $2.9 million in accretion income to $4.4 million during the year ended December 31, 2010 from $1.5 million during the year ended December 31, 2009. The increase in accretion income resulted from the purchase of $91.9 million of CMBS at discounts during the last quarter of 2009 and during 2010 and accretion of those discounts into income. We make these discounted security purchases as we reinvest the proceeds from the loan and security payoffs from our borrowers and from the loans and securities we have sold, typically for credit reasons.

Interest Income - Leasing

Our equipment leasing portfolio generated $11.3 million of interest income for the year ended December 31, 2010 as compared to $4.3 million for the year ended December 31, 2009, an increase of $7.0 million (161%). This increase for the year ended December 31, 2010 was due to the acquisition of $120.0 million in new leases during the year ended December 31, 2010 financed by a new securitization. The increase for the year ended December 31, 2010 was partially offset by the sale of the majority of our legacy leasing portfolio, at par, as of June 30, 2009. The legacy portfolio was sold to reduce our leverage and exposure to certain lease receivables that were underwritten under older, more aggressive credit standards. In May 2010, we acquired a new leasing portfolio which was underwritten with stricter credit standards, using longer term debt that gave us a prepayment option upon meeting specific terms.

Interest Income - Other

Aggregate interest income-other increased $2.8 million (195%) to $4.3 million for the year ended December 31, 2010, as compared to $1.5 million for the year ended December 31, 2009 principally from preference payments on structured notes which generated $3.1 million for the year ended December 31, 2010. We had no investment in these securities during the year ended December 31, 2009. These payments vary from period to period and are based on cash flows from the underlying assets rather than on a contractual interest rate.

Year Ended December 31, 2009 as compared to Year Ended December 31, 2008

Aggregate interest income decreased $36.7 million (27%) to $97.6 million for the year ended December 31, 2009, from $134.3 million for the year ended December 31, 2008. We attribute this decrease to the following:

Interest Income from Loans

Aggregate interest income from loans decreased $32.5 million (28%) to $84.6 million for the year ended December 31, 2009 from $117.1 million for the year ended December 31, 2008.

Bank loans generated $35.8 million of interest income for the year ended December 31, 2009 as compared to $53.2 million for the year ended December 31, 2008, a decrease of $17.4 million (33%). This decrease resulted primarily from a decrease in the weighted average yield earned by our bank loans to 3.87% for the year ended December 31, 2009 from 5.62% for the year ended December 31, 2008. This was principally a result of the decrease in LIBOR which is a reference index for the rates payable on these loans. The effect of the decrease in the weighted average rate was partially offset by an increase of $6.0 million in accretion income as a result of the purchase of assets at discounts during the year ended December 31, 2009.

Commercial real estate loans produced $48.8 million of interest income for the year ended December 31, 2009 as compared to $63.9 million for the year ended December 31, 2008, a decrease of $15.1 million (24%). This decrease resulted from the following:

- a decrease in the weighted average balance of assets of $55.5 million to $785.4 million for the year ended December 31, 2009 from $840.9 million for the year ended December 31, 2008 primarily as a result of payoffs and paydowns and to a lesser extent as a result of valuation allowances resulting from interest adjustments taken on several loans; and

- a decrease in the weighted average yield on our assets to 6.12% for the year ended December 31, 2009 from 7.48% for the year ended December 31, 2008 primarily due to decreases in LIBOR floors, which is a reference index for the rates payable on these loans from loan modifications during 2009. Management determined that five of these modifications were due to financial distress of the borrowers and, accordingly, qualified as a troubled debt restructuring. There were $401.3 million of loans with a weighted average LIBOR floor of 4.71% as of December 31, 2008 which decreased to $310.9 million of loans with a weighted average LIBOR floor of 2.37% as of December 31, 2009.

Interest Income from Securities

Aggregate interest income from securities available-for-sale increased $847,000 (13%) to $7.2 million for the year ended December 31, 2009 from $6.4 million for the year ended December 31, 2008. The increase in interest income from securities available-for-sale resulted principally from the following:

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CMBS-private placement increased $993,000 (22%) to $5.4 million for the year ended December 31, 2009 from $4.4 million for the year ended December 31, 2008. The increase is primarily attributed to the following:

- an increase in the weighted average balance of assets of $14.6 million to $90.8 million for the year ended December 31, 2009 from $76.2 million for the year ended December 31, 2008 principally as a result of the purchase of $54.8 million par value of assets during the year ended December 31, 2009, largely during the last half of the year; and

- an increase in the weighted average yield to 5.90% for the year ended December 31, 2009 from 5.76% for the year ended December 31, 2008 primarily as a result of an increase of $1.0 million in accretion income from assets purchased at discounts during the year ended December 31, 2009.

Interest Income - Leasing

Our equipment leasing portfolio generated $4.3 million of interest income for the year ended December 31, 2009 as compared to $8.2 million for the year ended December 31, 2008, a decrease of $3.8 million (47%). This decrease is primarily the result of our sale of the majority of the leasing portfolio, at par, as of June 30, 2009.

Interest Income - Other

Aggregate interest income-other decreased $1.2 million (45%) to $1.5 million for the year ended December 31, 2009, as compared to $2.7 million for the year ended December 31, 2008. The decrease in interest income-other resulted principally from the following:

- A decrease in interest income-other to $0 for the year ended December 31, 2009, as compared to $997,000 for the year ended December 31, 2008. The decrease is the result of our having written down our equity investment in Ischus CDO II to $0 in December 2008. Prior to that disposition, we used the cost recovery method to recognize the income on this investment. We sold our interest in Ischus CDO II in November 2007 and, as a result, deconsolidated it at that time. For the three months ended March 31, 2008, $997,000 of interest income was recognized on this investment. No such income has been recognized since March 2008.

- A decrease in interest from temporary investments in over-night repurchase agreements of $209,000 (12%) to $1.5 million for the year ended December 31, 2009, as compared to $1.7 million for the year ended December 31, 2008 primarily as a result of lower rates earned on our over-night repurchase agreements.

Interest Expense

Year Ended December 31, 2010 as compared to Year Ended December 31, 2009

The following tables set forth information relating to our interest expense incurred for the periods presented by asset class (in thousands, except percentages):

	Years Ended December 31,		
	2010	2009	2008
Interest expense:			
Bank loans	$ 9,573	$ 15,394	$ 35,165
Commercial real estate loans	8,068	11,072	27,924
CMBS-private placement	–	–	163
Leasing	5,737	2,143	4,357
General	13,088	16,818	12,010
Total interest income	$ 36,466	$ 45,427	$ 79,619

	Year Ended December 31, 2010		Year Ended December 31, 2009		Year Ended December 31, 2008	
	Weighted Average		Weighted Average		Weighted Average	
	Yield	Balance	Yield	Balance	Yield	Balance
Interest expense:						
Bank loans	1.04%	$ 906,000	1.68%	$ 906,000	3.82%	$ 906,000
Commercial real estate loans	1.46%	$ 543,345	1.70%	$ 649,258	3.91%	$ 696,492
CMBS-private placement	N/A	$ –	N/A	$ –	4.34%	$ 3,597
Leasing	8.81%	$ 65,176	4.42%	$ 44,388	4.67%	$ 89,778
General	5.45%	$ 231,821	5.01%	$ 322,720	3.00%	$ 383,860

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Year Ended December 31, 2010 as compared to Year Ended December 31, 2009

Aggregate interest expense decreased $8.9 million (20%) to $36.5 million for the year ended December 31, 2010, from $45.4 million for the year ended December 31, 2009. We attribute this decrease to the following:

Interest expense on bank loans was $9.6 million for the year ended December 31, 2010, as compared to $15.4 million for the year ended December 31, 2009, a decrease of $5.8 million (38%). This decrease resulted primarily from a decrease in the weighted average yield on this debt to 1.04% for the year ended December 31, 2010 from 1.68% for the year ended December 31, 2009 as a result of the decrease in LIBOR which is a reference index for the rates payable on most of these notes.

Interest expense on commercial real estate loans was $8.1 million for the year ended December 31, 2010, as compared to $11.1 million for the year ended December 31, 2009, a decrease of $3.0 million (27%). This decrease resulted primarily from the following:

- a decrease in the weighted average balance of the related financings of $106.0 million to $543.3 million for the year ended December 31, 2010 as compared to $649.3 million for the year ended December 31, 2009, primarily due to the repurchase of $146.9 million of notes in 2009 and 2010; and

- a decrease in the weighted average yield on our financings to 1.46% for the year ended December 31, 2010 from 1.70% for the year ended December 31, 2009 primarily due to the decrease in LIBOR which is a reference index for the rates payable on most of these notes.

Interest expense on our equipment leasing portfolio was $5.7 million for the year ended December 31, 2010, as compared to $2.1 million for the year ended December 31, 2009, an increase of $3.6 million (168%). The increase is the result of the addition of a new securitization entered into in April 2010 in conjunction with our acquisition of $120.0 million of new leases. The increase was partially offset by a decrease in interest expense related to our legacy leasing portfolio when the debt was transferred to Resource America at the time the portfolio was sold on June 30, 2009.

General interest expense was $13.1 million for the year ended December 31, 2010, as compared to $16.8 million for the year ended December 31, 2009, a decrease of $3.7 million (22%). This decrease was primarily from the sale of our legacy leasing portfolio, at par, in June 2009 which also resulted in the transfer of the related interest rate hedges and a decrease in that associated cost.

Year Ended December 31, 2009 as compared to Year Ended December 31, 2008

Aggregate interest expense decreased $34.2 million (43%) to $45.4 million for the year ended December 31, 2009, from $79.6 million for the year ended December 31, 2008. We attribute this decrease to the following:

Interest expense on bank loans was $15.4 million for the year ended December 31, 2009, as compared to $35.2 million for the year ended December 31, 2008, a decrease of $19.8 million (56%). This decrease resulted primarily from a decrease in the weighted average yield on this debt to 1.68% for the year ended December 31, 2009 from 3.82% for the year ended December 31, 2008 as a result of the decrease in LIBOR which is a reference index for the rates payable on most of these notes.

Interest expense on commercial real estate loans was $11.1 million for the year ended December 31, 2009, as compared to $27.9 million for the year ended December 31, 2008, a decrease of $16.9 million (60%). This decrease resulted from the following:

- a decrease in the weighted average yield on our financings to 1.70% for the year ended December 31, 2009 from 3.91% for the year ended December 31, 2008 primarily due to the decrease in LIBOR which is a reference index for the rates payable on most of these notes; and

- a decrease in the weighted average balance of the related financings of $47.2 million to $649.3 million for the year ended December 31, 2009 from $696.5 million for the year ended December 31, 2008 as a result of our buyback of $55.5 million in notes and the payoff of $17.1 million in repurchase agreement debt during the year.

Interest expense on CMBS-private placement was $0 for the year ended December 31, 2009, as compared to $163,000 for the year ended December 31, 2008 due to the elimination of advance rates on our pledged CMBS-private placement collateral in November 2008 as a result of policy changes surrounding advance rates by our lender.

Interest expense on our equipment leasing portfolio was $2.1 million for the year ended December 31, 2009, as compared to $4.4 million for the year ended December 31, 2008, a decrease of $2.2 million (51%). The decrease for the year ended December 31, 2009 is primarily the result of the sale of most of the leasing portfolio and the simultaneous transfer of all of the related debt to Resource America who purchased the leases, at par, as of June 30, 2009.

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The decrease in interest expense was partially offset by an increase in general interest expense. General interest expense was $16.8 million for the year ended December 31, 2009, as compared to $12.0 million for the year ended December 31, 2008, an increase of $4.8 million (40%). This increase resulted primarily from an increase of $5.6 million on our interest rate derivatives that fix the rate we pay under these agreements. During the year ended December 31, 2009 and 2008, the fixed rate we paid exceeded the floating rate we received due to the decrease in LIBOR. The increase in derivative expense was partially offset by a decrease in interest expense related to our unsecured junior subordinated debentures held by unconsolidated trusts that issued trust preferred securities as a result of a decrease in the LIBOR rate which is a reference index for the rates payable by these debentures. This decrease in LIBOR was partially offset by an increase in the spread on this debt as a result of an amendment to the indentures for this debt in September 2009.

Non-Investment Expenses

The following table sets forth information relating to our non-investment expenses incurred for the periods presented (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Non-investment expenses:			
Management fees-related party	$ 13,216	$ 8,363	$ 6,301
Equity compensation-related party	2,221	1,240	540
Professional services	3,627	3,866	3,349
Insurance	759	828	641
Depreciation on operating leases	4,003	–	–
General and administrative	3,061	1,764	1,848
Income tax expense (benefit)	5,721	(2)	(241)
Total non-investment expenses	$ 32,608	$ 16,059	$ 12,438

Year Ended December 31, 2010 as compared to the Year Ended December 31, 2009

Management fees – related party increased $4.9 million (58%) to $13.2 million for the year ended December 31, 2010 as compared to $8.4 million for the year ended December 31, 2009. These amounts represent compensation in the form of base management fees and incentive management fees pursuant to our management agreement as well as fees to the manager of our structured note portfolio. The base management fees increased by $1.6 million (43%) to $5.4 million for the year ended December 31, 2010 as compared to $3.8 million for the year ended December 31, 2009. This increase was due to increased stockholders' equity, a component in the formula by which base management fees are calculated, primarily as a result of the receipt of $76.8 million of net proceeds from the sales of common stock through our Dividend Reinvestment Plan or DRIP during the year ended December 31, 2010 as well as the receipt of $42.4 million from the proceeds of our May 2010 common stock offering. Incentive management fees increased $2.8 million to $7.4 million for the year ended December 31, 2010 from $4.6 million for the year ended December 31, 2009 primarily as a result of income from our structured finance portfolio. There was no such portfolio and therefore no such income during the year ended December 31, 2009. Management fees also include fees of $438,000 for the year ended December 31, 2010 to our structured finance manager.

Equity compensation – related party increased $981,000 (79%) to $2.2 million for the year ended December 31, 2010 as compared to $1.2 million for the year ended December 31, 2009. These expenses relate to the amortization of annual grants of restricted common stock to our non-employee independent directors, and annual and discretionary grants of restricted stock to several employees of Resource America who provide investment management services to us through our Manager. The increase in expense was primarily the result of an increase in our stock price and its impact on our quarterly remeasurement of the value of unvested stock and options as well as issuances of new grants during the year.

Professional services decreased $239,000 (6%) to $3.6 million for the year ended December 31, 2010 as compared to $3.9 million for the year ended December 31, 2009 primarily due to a decrease of $399,000 of servicing fees related to our legacy leasing portfolio which was sold in June 2009.

Depreciation on operating leases was $4.0 million for the year ended December 31, 2010 as compared to $0 for the year ended December 31, 2009 and is related to the $120.0 million of new leases we acquired in April 2010. There was no such portfolio or expense during the year ended December 31, 2009.

General and administrative expense increased $1.3 million (74%) to $3.1 million for the year ended December 31, 2010 from $1.8 million for the year ended December 31, 2009. $1.1 million of the increase is related to our agreement to reimburse Resource America for the wages, salary and benefits of our Chief Financial Officer, three accounting professionals and 50% of the salary and benefits of a director of investor relations. The reimbursements began in October 2009. In addition, we began reimbursing our Chairman for wages, salary and benefits in February 2010 and an additional accounting professional in November 2010.

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Income tax expense increased $5.7 million to an expense of $5.7 million for the year ended December 31, 2010 as compared to a benefit of $2,000 for the year ended December 31, 2009 due to higher pre-tax income for the year ended December 31, 2010. In addition, the benefit incurred for the year ended December 31, 2009 was relatively low when compared to pre-tax loss due to the fact that a valuation allowance was established against certain deferred tax assets that were deemed to not be realizable at that time. The valuation has been removed for the year ended December 31, 2010 due to a change in circumstances regarding the ability to realize the deferred tax assets.

Year Ended December 31, 2009 as compared to the Year Ended December 31, 2008

Management fees – related party increased $2.1 million (33%) to $8.4 million for the year ended December 31, 2009 as compared to $6.3 million for the year ended December 31, 2008. These amounts represent compensation in the form of base management fees and incentive management fees pursuant to our management agreement. The base management fees decreased by $750,000 (17%) to $3.8 million for the year ended December 31, 2009 as compared to $4.5 million for the year ended December 31, 2008. This decline was due to decreased stockholders' equity, a component in the formula by which base management fees are calculated, primarily as a result of significant additional provisions for loan and lease losses and asset impairments during 2009. Incentive management fees increased by $2.8 million (160%) to $4.6 million for the year ended December 31, 2009 from $1.8 million for the year ended December 31, 2008. The incentive fee is calculated for each quarter and the calculation in any quarter is not affected by the results of any other quarter. The increase is the result of fees of $3.1 million and $1.5 million for the three months ended September 30, 2009 and December 31, 2009, respectively, primarily as a result of the gains on extinguishment of debt we realized during the six months ended December 31, 2009.

Equity compensation – related party increased $700,000 (130%) to $1.2 million for the year ended December 31, 2009 as compared to $540,000 for the year ended December 31, 2008. These expenses relate to the amortization of annual grants of restricted common stock to our non-employee independent directors, and annual and discretionary grants of restricted stock to several employees of Resource America who provide investment management services to us through our Manager. The increase in expense was primarily the result of an increase in our stock price and its impact on our quarterly remeasurement of the value of unvested stock and options as well as issuances of new grants during the year.

Professional services increased $517,000 (15%) to $3.9 million for the year ended December 31, 2009 as compared to $3.3 million for the year ended December 31, 2008 due to an increase of $864,000 in legal fees due to restructurings of our CRE loans as well as compliance work performed. This increase was partially offset by a decrease in lease servicing expense of $455,000 as a result of the sale of the majority of the leasing portfolio on June 30, 2009.

Income tax benefit decreased $239,000 (99%) to a benefit of $2,000 for the year ended December 31, 2009 as compared to a benefit of $241,000 for the year ended December 31, 2008 due to the establishment of a valuation allowance against deferred tax assets related to Resource TRS, our domestic taxable REIT subsidiary.

Other (Expense)/Income

The following table sets forth information relating to our other income (expense) incurred for the periods presented (in thousands):

	Years Ended December 31,		
	2010	**2009**	**2008**
Impairment losses on investment securities	$ (29,042)	$ (27,490)	$ (26,611)
Recognized in other comprehensive loss	(2,238)	(14,019)	(26,611)
Net impairment losses recognized in earnings	(26,804)	(13,471)	–
Net realized gains (losses) on investment securities available-for sale and loans	4,821	1,890	(1,637)
Net realized gain on investment securities-trading	5,052	–	–
Net unrealized gain on investment securities-trading	9,739	–	–
Provision for loan and lease losses	(43,321)	(61,383)	(46,160)
Gain on the extinguishment of debt	34,610	44,546	1,750
Gain on the settlement of a loan	–	–	574
Other income (expense)	513	(1,350)	115
Total	$ (15,390)	$ (29,768)	$ (45,358)

Year Ended December 31, 2010 as compared to Year Ended December 31, 2009

Net impairment losses recognized in earnings were $26.8 million during the year ended December 31, 2010 and consisted primarily of other-than-temporary impairment losses of $26.6 million on five CMBS-private placement positions. Losses during the year ended December 31, 2009 consisted of $6.9 million on two CMBS-private placement positions, $5.7 million on our other ABS position and $895,000 on one of our investment securities held-to-maturity.

Net realized gains on investment securities available-for-sale and loans increased $2.9 million (155%) to $4.8 million for the year ended December 31, 2010 from $1.9 million for the year ended December 31, 2009. The increase is primarily due to $5.0 million of net gains on the sale of CMBS – private placement positions during the year ended December 31, 2010 as compared to $160,000 of net gains on CMBS – private placement positions during the year ended December 31, 2009, reflecting a positive effect of a market rally in CMBS pricing on our portfolio. These gains were partially offset by $1.3 million of losses on our ABS held-to-maturity portfolio from the sale of securities due to our evaluation of the creditworthiness of the underlying assets. These gains were also partially offset by $489,000 from trading losses on our Apidos loans recognized as held-for-sale of $114,000 during the year ended December 31, 2010 versus trading gains of $375,000 on that same portfolio for the year ended December 31, 2009 as a result of timing differences of when positions were recognized for sale and sold.

Net realized gain on investment securities-trading was $5.1 million for the year ended December 31, 2010. No such portfolio existed prior to June 2010. The gains are the result of sales of structured finance securities.

Net unrealized gain on investment securities-trading was $9.7 million for the year ended December 31, 2010. No such portfolio existed prior to June 2010. The gains are the result of marking the structured finance positions to market as of December 31, 2010.

Our provision for loan and lease losses decreased $18.1 million (29%) to $43.3 million for the year ended December 31, 2010, as compared to $61.4 million for the year ended December 31, 2009.

The following table summarizes information relating to our provision for loan and lease losses for the periods presented (in thousands):

	Year Ended December 31,	
	2010	**2009**
CRE loan portfolio	$ 44,357	$ 31,856
Bank loan portfolio	(1,348)	26,855
Lease receivables	312	2,672
	$ 43,321	$ 61,383

The principal reason for the decrease from the 2009 period was the significant improvement in market conditions with respect to assets in our bank loan portfolio. There was also a decrease in the provision on our lease receivables which was primarily due to the sale of the legacy portfolio and subsequent acquisition of a new leasing portfolio which was underwritten with stricter credit standards. The improvements in the provision were partially offset by provisions for our CRE portfolio, which has declined in value. During the year ended December 31, 2010, we had 11 loans for which we had taken provisions as compared to four loans for the year ended December 31, 2009 as a result of our impairment analysis. We also increased our general reserve by $3.1 million during the year ended December 31, 2010 as a result of market conditions.

Gain on the extinguishment of debt decreased $9.9 million (22%) during the year ended December 31, 2010 to $34.6 million for the year ended December 31, 2010 from $44.5 million for the year ended December 31, 2009. During the year ended December 31, 2010, we bought back $91.4 million of debt issued by Resource Real Estate Funding CDO 2006-1, or RREF CDO 2006-1 and Resource Real Estate Funding CDO 2007-1, or RREF CDO 2007-1. The notes, issued at par, were repurchased as an investment by us at a weighted average price of 62.1% of par resulting in a gain of $34.6 million. During the year ended December 31, 2009, we bought back $55.5 million of debt issued by RREF CDO 2006-1 and RREF CDO 2007-1. The notes, issued at par, were repurchased as an investment by us at a weighted average price of 19.8% of par resulting in a gain of $44.5 million. The related deferred debt issuance costs were immaterial in all transactions.

Other income/(expense) increased $1.9 million to income of $513,000 for the year ended December 31, 2010 as compared to expense of $1.4 million for the year ended December 31, 2009. The increase in income was primarily due to a non-recurring charge of $1.4 million during the year ended December 31, 2009 that was the result of an accrual for a liability related to a settlement on our equity position in the Ischus CDO II portfolio.

Year Ended December 31, 2009 as compared to Year Ended December 31, 2008

Net impairment losses recognized in earnings were $13.5 million during the year ended December 31, 2009 and consisted of other-than-temporary impairment losses of $6.9 million on two CMBS-private placement positions, $5.7 million on our other ABS position, and $895,000 on one of our investment securities held-to-maturity.

Net realized gains (losses) on securities available-for-sale and loans increased $3.5 million to a gain of $1.9 million for the year ended December 31, 2009 from a loss of $1.6 million for the year ended December 31, 2008. The primary component of the increased gain during the year ended December 31, 2009 was an increase of $1.4 million in net gains from the sale of loans and held-to-maturity securities in our bank loan portfolio. In addition, the year ended December 31, 2008 contains net losses of $2.0 million from the sale of CMBS – private placement securities as compared to $190,000 of gains during the year ended December 31, 2009, a net increase in gains of $2.2 million for the year ended December 31, 2009.

Other (expense) income increased $1.5 million to an expense of $1.4 million for the year ended December 31, 2009 as compared to income of $115,000 for the year ended December 31, 2008. The increase in expense was due to a charge of $1.4 million that was the result of an accrual for a liability related to a settlement on our equity position in the Ischus CDO II portfolio.

Our provision for loan and lease losses increased $15.2 million (33%) to $61.4 million for the year ended December 31, 2009 as compared to $46.2 million for the year ended December 31, 2008.

The following table summarizes information relating to our provision for loan and lease losses for the periods presented (in thousands):

	Year Ended December 31,	
	2009	2008
CRE loan portfolio	$ 31,856	$ 14,817
Bank loan portfolio	26,855	30,442
Lease receivables	2,672	901
	$ 61,383	$ 46,160

The principal reason for the increased provision is overall worsening credit markets in 2009. We increased our general allowance for loan and lease losses in 2009 by $8.0 million for bank loans, $8.1 million for CRE loans and $0.7 million on our leasing portfolio. Also, due to payment defaults, we took an $18.8 million provision on specifically impaired bank loans and a $2.0 million provision on our leasing portfolio during the year ended December 31, 2009. Lastly, because of a decision to liquidate a substantial portion of collateral in our largest CRE position, we took a $23.8 million provision on that portfolio of loans during the year ended December 31, 2009.

Gain on the extinguishment of debt increased $42.8 million during the year ended December 31, 2009 to $44.5 million for the year ended December 31, 2009 from $1.8 million for the year ended December 31, 2008. During the year ended December 31, 2009, we bought back $55.5 million of debt issued by RREF CDO 2006-1 and RREF CDO 2007-1. The notes, issued at par, were bought back as an investment by us at a weighted average price of 19.8% of par resulting in a gain of $44.5 million. During the year ended December 31, 2008, we bought back $5.0 million of debt issued by RREF CDO 2007-1. The notes, issued at par, were bought back as an investment by us at a price of 65% of par resulting in a gain of $1.8 million. The related deferred debt issuance costs were immaterial in all transactions.

Gain on the settlement of a loan during the year ended December 31, 2008 is due to the reimbursement of a loss related to the termination of a hedge after the paydown of a commercial real estate loan. Under the terms of the agreement, we were to be reimbursed for any such termination costs. There was no similar transaction during the year ended December 31, 2009.

Financial Condition

Summary

Our total assets at December 31, 2010 were $1.9 billion as compared to $1.8 billion at December 31, 2009. The increase in total assets was principally due to the addition of lease receivables to our investment portfolio as a result of a new leasing securitization entered into in May 2010.

Investment Portfolio

The following tables summarize the amortized cost and net carrying amount of our investment portfolio as of December 31, 2010 and 2009, classified by interest rate type. The following table includes both (i) the amortized cost of our investment portfolio and the related dollar price, which is computed by dividing amortized cost by par amount, and (ii) the net carrying amount of our investment portfolio and the related dollar price, which is computed by dividing the net carrying amount by par amount (in thousands, except percentages):

December 31, 2010	Amortized cost (3)	Dollar price	Net carrying amount	Dollar price	Net carrying amount less amortized cost	Dollar price
Floating rate						
CMBS-private placement	$ 31,127	100.00%	$ 9,569	30.74%	$ (21,558)	-69.26%
Structured notes	7,984	34.09%	17,723	75.67%	9,739	41.58%
Other ABS	–	0.00%	22	0.26%	22	0.26%
B notes (1)	26,485	99.94%	26,071	98.38%	(414)	-1.56%
Mezzanine loans (1)	83,699	100.00%	82,680	98.78%	(1,019)	-1.22%
Whole loans (1)	441,372	99.92%	419,207	94.91%	(22,165)	-5.01%
Bank loans (2)	856,436	96.99%	850,500	96.32%	(5,936)	-0.67%
Loans held for sale (3)	13,593	55.92%	13,593	55.92%	–	0.00%
ABS held-to-maturity (4)	29,036	91.08%	25,941	81.37%	(3,095)	-9.71%
Total floating rate	1,489,732	95.86%	1,445,306	93.01%	(44,426)	-2.85%
Fixed rate						
CMBS – private placement	52,097	48.30%	54,369	50.41%	2,272	2.11%
B notes (1)	30,966	99.53%	30,482	97.97%	(484)	-1.56%
Mezzanine loans (1)	38,545	100.23%	31,012	80.64%	(7,533)	-19.59%
Loans held for sale (3)	15,000	75.00%	15,000	75.00%	–	0.00%
Lease receivables (5)	109,682	100.00%	109,612	99.94%	(70)	-0.06%
Total fixed rate	246,290	80.20%	240,475	78.30%	(5,815)	-1.90%
Grand total	$ 1,736,022	93.28%	$ 1,685,781	90.58%	$ (50,241)	-2.70%

December 31, 2009	Amortized cost (3)	Dollar price	Net carrying amount	Dollar price	Net carrying amount less amortized cost	Dollar price
Floating rate						
CMBS-private placement	$ 32,043	100.00%	$ 11,185	34.91%	$ (20,858)	-65.09%
Other ABS	24	0.29%	24	0.29%	–	–%
B notes (1)	26,479	99.92%	26,263	99.11%	(216)	-0.81%
Mezzanine loans (1)	124,048	100.00%	123,058	99.20%	(990)	-0.80%
Whole loans (1)	403,230	99.81%	381,710	94.49%	(21,520)	-5.32%
Bank loans (2)	857,202	96.87%	798,614	90.25%	(58,588)	-6.62%
Loans held for sale (3)	8,050	78.88%	8,050	78.88%	–	–%
ABS held-to-maturity (4)	31,401	88.77%	21,287	60.18%	(10,114)	-28.59%
Total floating rate	1,482,477	97.23%	1,370,191	89.82%	(112,286)	-7.41%
Fixed rate						
CMBS – private placement	60,067	64.08%	33,333	35.56%	(26,734)	-28.52%
B notes (1)	54,977	100.05%	54,527	99.23%	(450)	-0.82%
Mezzanine loans (1)	58,638	100.28%	53,200	90.98%	(5,438)	-9.30%
Whole loans (1)	80,305	99.78%	79,647	98.96%	(658)	-0.82%
Lease receivables (5)	2,067	100.05%	927	44.87%	(1,140)	-55.18%
Total fixed rate	256,054	88.38%	221,634	76.50%	(34,420)	-11.88%
Grand total	$ 1,738,531	95.78%	$ 1,591,800	87.70%	$ (146,731)	-8.08%

(1) Net carrying amount includes an allowance for loan losses of $31.6 million at December 31, 2010, allocated as follows: B notes ($899,000), mezzanine loans ($8.5 million) and whole loans ($22.2 million). Net carrying amount includes an allowance for loan losses of $29.3 million at December 31, 2009, allocated as follows: B notes ($666,000), mezzanine loans ($6.4 million) and whole loans ($22.2 million).

(2) The bank loan portfolio is carried at amortized cost less allowance for loan loss and was $853.8 million at December 31, 2010. The amount disclosed represents net realizable value at December 31, 2010, which includes a $2.6 million allowance for loan losses at December 31, 2010. The bank loan portfolio was $839.4 million (net of allowance of $17.8 million) at December 31, 2009.

(3) Loans held for sale are carried at the lower of cost or market. Amortized cost is equal to fair value.

(4) ABS held-to-maturity are carried at amortized cost less other-than-temporary impairments.

(5) Net carrying amount includes a $70,000 and $1.1 million allowance for lease receivable losses at December 31, 2010 and 2009, respectively.

Commercial Mortgage-Backed Securities-Private Placement. The determination of other-than-temporary impairment is a subjective process, and different judgments and assumptions could affect the timing of loss realization. We review our portfolios and make other-than-temporary impairment determinations at least quarterly. We consider the following factors when determining if there is an other-than-temporary impairment on a security:

- the length of time the market value has been less than amortized cost;
- the severity of the impairment;
- the expected loss of the security as generated by third party software;
- credit ratings from the rating agencies;
- underlying credit fundamentals of the collateral backing the security; and
- whether, based upon our intent, it is more likely than not that we will sell the security before the recovery of the amortized cost basis.

At December 31, 2010 and 2009, we held $64.0 million and $44.5 million, respectively, (net of net unrealized losses of $19.3 million and $47.6 million, respectively) of CMBS recorded at fair value. To determine fair value, we use two methods, either a dealer quote or an internal valuation model, depending upon when the position was purchased and the current level of market activity. As of December 31, 2010 and 2009, $53.7 million and $29.7 million, respectively, of investment securities available-for-sale were valued using dealer quotes and $10.3 million and $14.8 million, respectively, were valued using the weighted average of the three measures discussed below.

For securities purchased in 2009 and thereafter, we obtain a quote from a dealer, which typically will be the dealer who sold us the security. We have been advised that, in formulating their quotes, dealers may use recent trades in the particular security, if any, market activity in similar securities, if any, or internal valuation models. These quotes are non-binding. As a result of how the dealers develop their quotes, the market illiquidity and low levels of trading activity as of December 31, 2009, we categorized all of these investment securities available-for-sale in Level 3 in the fair value hierarchy. Due to the increased level of trading activity in 2010, we moved some of these securities into Level 2 in the fair value hierarchy. We evaluate the reasonableness of the quotes we receive by applying our own valuation models. If there is a material difference between a quote we receive and the value indicated by our valuation models, we will evaluate the difference. As part of that evaluation, we will discuss the difference with the dealer, who may revise their quote based upon these discussions. Alternatively, we may revise our valuation models.

For investment securities available-for-sale purchased prior to 2009, we determine fair value based on taking a weighted average of the following three measures:

- dealer quotes, as described above;
- quotes on more actively-traded, higher-rated securities issued in a similar time period, adjusted for differences in rating and seniority; and
- the value resulting from an internal valuation model using an income approach based upon an appropriate risk-adjusted yield, time value and projected losses using default assumptions based upon an historical analysis of underlying loan performance.

In the aggregate, we purchased our CMBS-private placement portfolio at a discount. At December 31, 2010 and 2009, the remaining discount to be accreted into income over the remaining lives of the securities was $26.1 million and $29.1 million, respectively. These securities are classified as available-for-sale and, as a result, are carried at their fair value.

During the year ended December 31, 2010, we recognized $26.6 million of other-than-temporary impairment on five positions that supported our CMBS investments bringing the combined fair value of these positions to $215,000. During the year ended December 31, 2009, we recognized $12.6 million of other-than-temporary impairment on two positions that supported our CMBS investments and one of our other-ABS investments bringing the combined fair value of these positions to $206,000. The assumed default of the underlying collateral positions in our cash flow model yielded a value that would result in less than a full recovery of our cost basis. The net impairment losses were recognized in earnings in the consolidated statements of operations. All of our other-than-temporary impairment losses are related to credit losses. While our remaining securities classified as available-for-sale have continued to decline in fair value on a net basis, we concluded that the decline continues to be temporary. We perform an on-going review of third-party reports and updated financial data on the underlying property financial information to analyze current and projected loan performance. Rating agency downgrades are considered with respect to our income approach when determining other-than-temporary impairment and, when inputs are stressed, the resulting projected cash flows reflect a full recovery of principal. We do not believe that any other of our securities classified as available-for-sale were other-than-temporarily impaired as of December 31, 2010.

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The following table summarizes our CMBS-private placement as of December 31, 2010 and 2009 (in thousands, except percentages). Dollar price is computed by dividing amortized cost by par amount.

	December 31, 2010		December 31, 2009	
	Amortized Cost	Dollar Price	Amortized Cost	Dollar Price
Moody's Ratings Category:				
Aaa	$ –	–%	$ 11,690	64.70%
Aa1 through Aa3	3,345	66.90%	9,639	50.73%
A1 through A3	16,853	81.24%	4,826	56.14%
Baa1 through Baa3	24,763	67.26%	2,021	33.68%
Ba1 through Ba3	1,604	14.70%	10,443	100.00%
B1 through B3	4,678	93.56%	24,449	85.27%
Caa1 through Caa3	24,603	97.57%	12,832	98.71%
Ca through C	7,377	20.90%	16,210	73.68%
Total	$ 83,223	59.88%	$ 92,110	73.23%
S&P Ratings Category:				
AAA	$ –	–%	$ 5,997	59.97%
AA+ through AA-	–	–%	3,659	40.65%
A+ through A-	9,306	86.60%	6,544	62.75%
BBB+ through BBB-	31,072	70.91%	11,955	59.49%
BB+ through BB-	6,575	50.58%	7,847	78.76%
B+ through B-	–	–%	9,081	90.81%
CCC+ through CCC-	36,211	64.52%	47,027	83.54%
D	59	0.39%	–	
Total	$ 83,223	59.88%	$ 92,110	73.23%
Weighted average rating factor	3,653		2,971	

Structured notes. The following table summarizes our structured notes, which are classified as investment securities-trading, which are carried at fair value (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2010:				
Structured notes	$ 7,984	$ 9,739	$ –	$ 17,723
Total	$ 7,984	$ 9,739	$ –	$ 17,723

We purchased 26 securities and sold 13 securities during the year ended December 31, 2010, for a gain of $5.1 million. We held 13 investment securities-trading as of December 31, 2010. We did not hold any such investment at December 31, 2009.

Other Asset-Backed Securities. At December 31, 2010, we held two other ABS positions with a fair value of $23,000. At December 31, 2009, the positions had a fair value of $24,000. During the year ended December 31, 2009, we recognized other-than-temporary impairment of $5.7 million on one of the positions. The fair value of the ABS positions decreased due to a principal paydown received during the year ended December 31, 2010. These securities are classified as available-for-sale and carried at fair value.

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Real Estate Loans. The following table is a summary of the loans in our commercial real estate loan portfolio at the dates indicated (in thousands):

Description	Number of Loans	Amortized Cost	Contracted Interest Rates	Maturity Dates [4]
December 31, 2010:				
Whole loans, floating rate [1]	25	$ 441,372	LIBOR plus 1.50% to LIBOR plus 5.75%	May 2011 to January 2018
B notes, floating rate	2	26,485	LIBOR plus 2.50% to LIBOR plus 3.01%	July 2011 to October 2011
B notes, fixed rate	2	30,966	7.00% to 8.68%	July 2011 to April 2016
Mezzanine loans, floating rate	6	93,266	LIBOR plus 2.15% to LIBOR plus 3.00%	May 2011 to January 2013
Mezzanine loans, fixed rate [3]	5	53,545	8.14% to 11.00%	January 2016 to September 2016
Total [2]	40	$ 645,634		
December 31, 2009:				
Whole loans, floating rate [1]	22	$ 403,230	LIBOR plus 1.50% to LIBOR plus 4.40%	May 2010 to February 2017
Whole loans, fixed rate [1]	5	80,305	6.98% to 10.00%	May 2010 to August 2012
B notes, floating rate	2	26,479	LIBOR plus 2.50% to LIBOR plus 3.01%	July 2010 to October 2010
B notes, fixed rate	3	54,977	7.00% to 8.68%	July 2011 to July 2016
Mezzanine loans, floating rate	7	124,048	LIBOR plus 2.15% to LIBOR plus 3.45%	May 2010 to January 2013
Mezzanine loans, fixed rate	5	58,638	8.14% to 11.00%	May 2010 to September 2016
Total [2]	44	$ 747,677		

(1) Whole loans had $5.0 million and $5.6 million in unfunded loan commitments as of December 31, 2010 and 2009, respectively. These commitments are funded as the loans require additional funding and the related borrowers have satisfied the requirements to obtain this additional funding.

(2) The total does not include an allowance for loan losses of $31.6 million and $29.3 million recorded as of December 31, 2010 and 2009, respectively.

(3) Fixed rate mezzanine loan dates exclude a loan that matured in May 2010 and is in default and has been on non-accrual status as of December 31, 2010 and December 31, 2009, respectively..

(4) Maturity dates do not include possible extension options that may be available to the borrowers.

Subsequent to December 31, 2010, we entered into and completed sale agreements for two commercial real estate loans. One was a loan secured by an office tower in New York City that we sold at 75% of par, resulting in a loss of $5.1 million after writing off unamortized loan origination costs. The second loan was secured by a portfolio of office complexes throughout the United States that sold at 50% of par, resulting in a loss of $9.6 million of which $290,000 had been previously allocated as part of our general reserve. We classified both loans as loans held for sale as of December 31, 2010.

During the year ended December 31, 2010, we accepted a bankruptcy court-approved settlement on a portfolio of condominiums that had been in default since July 2009 and after receiving a settlement pay-down of $2.3 million, our loan balance was reduced to $5.0 million. After a review of the projected sale proceeds, we determined that a provision of $648,000 was needed and upon foreclosure, we have now classified the property as property available-for-sale with a fair value of $4.4 million at December 31, 2010.

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Bank Loans. At December 31, 2010, we held a total of $850.5 million of bank loans at fair value through Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, all of which secure the debt issued by these entities. This is an increase of $51.9 million over our holdings at December 31, 2009. The increase in total bank loans was principally due to improved market prices for bank loans during the year ended December 31, 2010. We own 100% of the equity issued by Apidos CDO I, Apidos CDO III and Apidos Cinco CDO which we have determined are variable interest entities, or VIEs, of which we are the primary beneficiary. See "-Variable Interest Entities." As a result, we consolidated Apidos CDO I, Apidos CDO III and Apidos Cinco CDO as of December 31, 2010.

The following table summarizes our bank loan investments as of December 31, 2010 and 2009 (in thousands, except percentages). Dollar price is computed by dividing amortized cost by par amount.

	December 31, 2010		December 31, 2009	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Baa1 through Baa3	$ 27,262	98.94%	$ 38,419	98.09%
Ba1 through Ba3	432,153	97.27%	404,345	96.91%
B1 through B3	351,147	96.31%	355,456	96.33%
Caa1 through Caa3	20,879	95.73%	44,265	99.79%
Ca	7,062	100.00%	13,697	88.68%
No rating provided	21,960	96.02%	9,070	91.64%
Total	$ 860,463	96.88%	$ 865,252	96.67%
S&P ratings category:				
BBB+ through BBB-	$ 54,560	99.13%	$ 73,495	98.23%
BB+ through BB-	373,971	97.25%	353,595	97.11%
B+ through B-	360,581	96.21%	337,208	96.12%
CCC+ through CCC-	29,707	95.43%	42,198	96.65%
CC+ through CC-	1,633	100.18%	3,104	100.13%
C+ through C-	–	–%	–	–%
D	1,050	100.00%	8,602	95.91%
No rating provided	38,961	97.39%	47,050	94.85%
Total	$ 860,463	96.88%	$ 865,252	96.67%
Weighted average rating factor	2,061		2,131	

Asset-backed securities held-to-maturity. At December 31, 2010, we held a total of $25.9 million of ABS held-to-maturity held at fair value through Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, all of which secure the debt issued by these entities. This is an increase of $4.6 million over our holdings at December 31, 2009. The increase in total ABS held-to-maturity was principally due to the improved market prices and the purchase of $1.3 million par value of ABS held-to-maturity during the year ended December 31, 2010. The effects of the pricing improvement and additional purchases were partially offset by the sale of two securities that were sold due to credit rating deterioration.

During the year ended December 31, 2009, one collateral position that supported the ABS held-to-maturity weakened to the point that default of this position became probable. The assumed default of this collateral position in our cash flow model yielded a value that would result in less than a full recovery of our cost basis. Accordingly, we recognized an $895,000 other-than-temporary impairment on our ABS held-to-maturity investment during the three months ended September 30, 2009 bringing the combined fair value to $925,000. We recognized this impairment through the consolidated statements of operations in 2009.

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The following table summarizes our ABS held-to-maturity, at cost as of December 31, 2010 and 2009 (in thousands, except percentages). Dollar price is computed by dividing amortized cost by par amount.

	December 31, 2010		December 31, 2009	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Aa1 through Aa3	$ 2,766	85.40%	$ 2,854	82.89%
A1 through A3	7,625	79.02%	303	75.75%
Baa1 through Baa3	1,950	100.00%	–	–%
Ba1 through Ba3	2,503	93.57%	4,427	95.72%
B1 through B3	4,998	98.10%	4,319	97.63%
Caa1 through Caa3	9,194	99.16%	9,913	99.14%
Ca	–	–%	3,550	79.22%
No rating provided	–	–%	6,035	75.44%
Total	$ 29,036	91.08%	$ 31,401	88.77%
S&P ratings category:				
AA+ through AA-	$ 5,099	83.41%	$ –	–%
A+ through A-	5,292	78.96%	–	–%
BBB+ through BBB-	3,516	96.99%	–	–%
B+ through B-	3,062	97.98%	–	–%
No rating provided	12,067	98.57%	31,401	88.77%
Total	$ 29,036	91.08%	$ 31,401	88.77%
Weighted average rating factor	3,105		4,028	

The following table provides information as to the lien status of our bank loans. All, except $850,000 of first lien loans, are held by the indicated CDOs, which we consolidate (in thousands):

	Amortized Cost (1)			
	Apidos I	Apidos III	Apidos Cinco	Total
December 31, 2010:				
Loans held for investment:				
First lien loans	$ 288,163	$ 236,142	$ 296,208	$ 820,513
Second lien loans	12,902	10,011	11,513	34,426
Subordinated second lien loans	163	122	–	285
Defaulted second lien loans	–	–	362	362
Total	301,228	246,275	308,083	855,586
First lien loans held for sale at fair value	2,822	–	1,205	4,027
Total	$ 304,050	$ 246,275	$ 309,288	$ 859,613
December 31, 2009:				
Loans held for investment:				
First lien loans	$ 284,564	$ 232,861	$ 295,457	$ 812,882
Second lien loans	11,507	9,096	10,657	31,260
Subordinated second lien loans	163	122	–	285
Defaulted first lien loans	4,511	5,579	1,685	11,775
Defaulted second lien loans	500	500	–	1,000
Total	301,245	248,158	307,799	857,202
First lien loans held for sale at fair value	4,064	2,077	1,909	8,050
Total	$ 305,309	$ 250,235	$ 309,708	$ 865,252

(1) All loans are senior and secured unless otherwise noted.

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Lease Receivables. Investments in lease receivables, net of unearned income, were as follows (in thousands):

	December 31, 2010	December 31, 2009
Leases, net of unearned income	$ 75,908	$ 1,397
Operating leases	17,900	–
Notes receivable	15,874	670
Subtotal	109,682	2,067
Allowance for lease losses	(70)	(1,140)
Total	$ 109,612	$ 927

Leases not meeting any of the criteria to be classified as direct financing leases are deemed to be operating leases. Under the accounting for operating leases, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over the equipment's estimated useful life, generally up to seven years. Rental income consists primarily of monthly periodic rental payments due under the terms of the leases. We recognize rental income on a straight-line basis and record it as interest income in our consolidated statement of operations. We recognized $5.0 million in rental income during the year ended December 31, 2010.

We have the right to require LEAF Funding to repurchase credit impaired contracts or replace such contracts with performing contracts. LEAF Funding would have to repurchase or provide substitute contracts for each credit impaired contract at an amount equal to the discounted contract balance plus any overdue payments. The foregoing is limited to 5% of the aggregate discounted contract balance of all of the contracts sold by LEAF Funding to us.

Restricted cash. At December 31, 2010, we had restricted cash of $168.2 million, which consisted of $160.5 million of restricted cash in our five CDOs, $5.2 million of restricted cash in our leasing securitization and $2.5 million held in a margin account, related to our swap portfolio. At December 31, 2009, we had restricted cash of $85.1 million, which consisted of $80.5 million of restricted cash in our five CDOs and $4.6 million held in a margin account, related to our swap portfolio. The increase of $83.1 million is primarily related to paydowns, payoffs and sales of loans and to a lesser extent, CMBS during the year ended December 31, 2010 in our CRE CDOs. The majority of this cash had not been reinvested as of December 31, 2010.

Interest Receivable. At December 31, 2010, we had interest receivable of $6.3 million, which consisted of $6.3 million of interest on our securities, loans and lease receivables and $9,000 of interest earned on escrow and sweep accounts. At December 31, 2009, we had interest receivable of $5.8 million, which consisted of $5.7 million of interest on our securities, loans and lease receivables and $9,000 of interest earned on escrow and sweep accounts. The increase of $576,000 is the result of an increase of $666,000 in interest receivable on our bank loan portfolio due to the increase in weighted average rate which increased as a result of fewer defaulted positions at December 31, 2010, and a $1.2 million increase in interest on structured notes which we did not hold as of December 31, 2009. This increase was partially offset by a $1.1 million decrease in interest receivable on our commercial real estate loan portfolio due to loan modifications which resulted in decreases in weighted average rates and a decrease of $174,000 on our CMBS portfolio due to $35.0 million of impaired CMBS at par being on non-accrual status as of December 31, 2010.

Other Assets. The following table summarizes our other assets as of December 31, 2010 and 2009 (in thousands):

	December 31, 2010	December 31, 2009
Fixed assets	$ –	$ 1
Other receivables	1,374	555
Prepaid assets	590	612
Principal paydown	468	1,084
Total	$ 2,432	$ 2,252

Other assets increased $181,000 to $2.4 million as of December 31, 2010 from $2.3 million as of December 31, 2009. This increase resulted primarily from an increase of $819,000 in other receivables principally due to receivables on our leasing portfolio. There was no such portfolio at December 31, 2009. These increases were partially offset by a decrease of $616,000 in principal receivables on our bank loans portfolio due to the timing of when principal was due and received, and a $22,000 decrease in prepaid assets due to a decrease in our prepaid insurance and other prepaid administrative services.

Hedging Instruments. Our hedges at December 31, 2010 and 2009 were fixed-for-floating interest rate swap agreements whereby we swapped the floating rate of interest on the liabilities we hedged for a fixed rate of interest. With interest rates at historically low levels and the forward curve projecting steadily increasing rates, we expect that the fair value of our hedges will modestly improve in 2011. We intend to continue to seek such hedges for our floating rate debt in the future. Our hedges at December 31, 2010 were as follows (in thousands):

	Benchmark rate	Notional value	Strike rate	Effective date	Maturity date	Fair value
Interest rate swap	1 month LIBOR	$ 12,965	4.63%	12/04/06	07/01/11	$ (282)
Interest rate swap	1 month LIBOR	12,150	5.44%	06/08/07	03/25/12	(759)
Interest rate swap	1 month LIBOR	12,750	5.27%	07/25/07	08/06/12	(971)
Interest rate swap	1 month LIBOR	34,255	4.13%	01/10/08	05/25/16	(2,309)
Interest rate swap	1 month LIBOR	1,681	5.72%	07/09/07	10/01/16	(161)
Interest rate swap	1 month LIBOR	1,880	5.68%	07/13/07	03/12/17	(350)
Interest rate swap	1 month LIBOR	81,556	5.58%	06/08/07	04/25/17	(7,603)
Interest rate swap	1 month LIBOR	1,726	5.65%	06/28/07	07/15/17	(159)
Interest rate swap	1 month LIBOR	3,850	5.65%	07/19/07	07/15/17	(355)
Interest rate swap	1 month LIBOR	4,023	5.41%	08/07/07	07/25/17	(343)
Total		$ 166,836	5.17%			$ (13,292)

In addition, we also had an interest rate cap agreement with a fair value of $60 and a notional amount of $14.8 million outstanding as of December 31, 2010 which reduced our exposure to variability in future cash flows attributable to LIBOR. The interest rate cap is a non-designated cash flow hedge and, as a result, we record the change in fair value through the consolidated statement of operations. The interest rate cap had an effective date of January 8, 2009, has a maturity date of August 5, 2011 and has a cap rate of 2.00%. The interest rate cap had a fair value of $45,000 as of December 31, 2009.

As of December 31, 2009, we had entered into hedges with a notional amount of $217.9 million and maturities ranging from February 2010 to July 2017. At December 31, 2009, the fair value on our interest rate swap agreements was ($12.8) million.

Equipment-backed Securitized Notes. In May 2010, we acquired Equipment Contract Backed Notes, Series 2010-2, issued by LEAF Funding 3, a $120.0 million transaction that provides financing for leases. The investments held by LEAF Funding 3 collateralize the debt it issued and, as a result, the investments are not available to us, our creditors or stockholders. LEAF Funding 3 issued a total of $120.0 million of senior notes at a weighted average price of $93.5 to unrelated investors generating proceeds of $112.2 million. We amortize the discount at issuance over the lives of the notes using the effective yield method, adjusted for the effects of estimated prepayments on the notes. We had $14.8 million of equity invested in LEAF Funding 3 as of December 31, 2010.

The equipment contract backed notes issued to investors by LEAF Funding 3 consist of the following classes: (i) $95.5 million of class A notes; (ii) $7.0 million of class B notes; (iii) $6.4 million of class C notes; (iv) $6.4 million of class D notes; and (v) $4.7 million of class E notes. All of the notes issued bear a fixed rate of interest 5.0%. The class A notes mature in May 2016 and the class B through E notes mature in December 2017. The balance of the Senior Notes after scheduled amortization was $102.0 million as of December 31, 2010 and we had $5.9 million of unamortized original issuance discounts, $1.1 million of unamortized debt issuance costs for a net basis of $95.0 million as of December 31, 2010.

Collateralized Debt Obligations. As of December 31, 2010, we had executed and retained equity in five CDO transactions as follows:

- In June 2007, we closed RREF CDO 2007-1, a $500.0 million CDO transaction that provided financing for commercial real estate loans. The investments held by RREF CDO 2007-1 collateralized $390.0 million of senior notes issued by the CDO vehicle, of which RCC Real Estate, Inc., or RCC Real Estate, a subsidiary of ours, purchased 100% of the class H senior notes, class K senior notes, class L senior notes and class M senior notes for $68.0 million at closing, $5.0 million of the Class J senior notes purchased in February 2008, $2.5 million of the Class J senior notes in November 2009, $11.9 million of the Class E senior notes, $11.9 million of the Class F senior notes and $7.3 million of the Class G senior notes in December 2009, an additional $250,000 of the Class J senior notes in January 2010, $7.5 million of Class B senior notes in June 2010 and $15.0 million of Class A-2 note in December 2010. In addition, RREF 2007-1 CDO Investor, LLC, a subsidiary of RCC Real Estate, purchased a $41.3 million equity interest representing 100% of the outstanding preference shares. At December 31, 2010, the notes issued to outside investors, net of repurchased notes, had a weighted average borrowing rate of 0.82%.

- In May 2007, we closed Apidos Cinco CDO, a $350.0 million CDO transaction that provided financing for bank loans. The investments held by Apidos Cinco CDO collateralized $322.0 million of senior notes issued by the CDO vehicle, of which RCC Commercial Inc., or RCC Commercial, a subsidiary of ours, purchased a $28.0 million equity interest representing 100% of the outstanding preference shares. At December 31, 2010, the notes issued to outside investors had a weighted average borrowing rate of 0.79%.

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- In August 2006, we closed RREF CDO 2006-1, a $345.0 million CDO transaction that provided financing for commercial real estate loans. The investments held by RREF CDO 2006-1 collateralized $308.7 million of senior notes issued by the CDO vehicle, of which RCC Real Estate purchased 100% of the class J senior notes and class K senior notes for $43.1 million at closing and $7.5 million of the Class F senior notes in June 2009, $3.5 million of the Class E senior note and $4.0 million of the Class F senior notes in September 2009, an additional $20.0 million of Class A-1 senior notes in February 2010, $12.0 million of Class A-2 senior notes, $6.9 million of Class B senior notes, $7.7 million of Class C senior notes in April 2010, $7.5 million of Class D senior notes in June 2010 and $20.0 million of Class A-1 senior notes in July 2010. In addition, RREF 2006-1 CDO Investor, LLC, a subsidiary of RCC Real Estate, purchased a $36.3 million equity interest representing 100% of the outstanding preference shares. At December 31, 2010, the notes issued to outside investors, net of repurchased notes had a weighted average borrowing rate of 1.33%.

- In May 2006, we closed Apidos CDO III, a $285.5 million CDO transaction that provided financing for bank loans. The investments held by Apidos CDO III collateralized $262.5 million of senior notes issued by the CDO vehicle, of which RCC Commercial purchased $23.0 million equity interest representing 100% of the outstanding preference shares. At December 31, 2010, the notes issued to outside investors had a weighted average borrowing rate of 0.75%.

- In August 2005, we closed Apidos CDO I, a $350.0 million CDO transaction that provided financing for bank loans. The investments held by Apidos CDO I collateralize $321.5 million of senior notes issued by the CDO vehicle, of which RCC Commercial purchased $28.5 million equity interest representing 100% of the outstanding preference shares. At December 31, 2010, the notes issued to outside investors had a weighted average borrowing rate of 0.87%.

Trust Preferred Securities. In May and September 2006, we formed Resource Capital Trust I and RCC Trust II, respectively, for the sole purpose of issuing and selling trust preferred securities. Resource Capital Trust I and RCC Trust II are not consolidated into our consolidated financial statements because we are not deemed to be the primary beneficiary of either trust. We own 100% of the common shares of each trust, each of which issued $25.0 million of preferred shares to unaffiliated investors. Our rights as the holder of the common shares of each trust are subordinate to the rights of the holders of preferred shares only in the event of a default; otherwise, our economic and voting rights are pari passu with the preferred shareholders. We record each of our investments in the trusts' common shares of $774,000 as an investment in unconsolidated trusts and record dividend income upon declaration by each trust.

In October 2009, we amended our unsecured junior subordinated debentures held by RCT I and RCT II with a total value outstanding of $51.5 million. The amendment provides for an interest rate increase of 2% (from LIBOR plus 3.95% to LIBOR plus 5.95%) on both issuances for a period of two years and a one-time restructuring fee of $250,000 in exchange for the waiver of financial covenants under our guarantee. The covenant waiver expires on January 1, 2012. The junior subordinated debentures debt issuance costs are included in borrowings in the consolidated balance sheets. We record interest expense on the junior subordinated debentures and amortization of debt issuance costs in our consolidated statements of operations. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2010 were $590,000 and $604,000, respectively. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2009 were $742,000 and $754,000, respectively. The interest rate adjustment took effect as of October 1, 2009 and expires on September 30, 2011. The rates for RCT I and RCT II at December 31, 2010, were 6.25% and 6.24%, respectively and 6.18% and 6.19% at December 31, 2009, respectively. The additional cost is approximately $260,000 per quarter.

Secured Term Facility. In April 2010, Resource TRS entered into a loan and security agreement with The Bancorp Bank to finance the purchase of lease receivables. The maximum amount of the borrowing under this agreement was $6.5 million. Borrowings under this agreement bore interest at six percent (6%) per annum. The facility was repaid in full and was terminated on May 27, 2010. There were no such borrowings as of December 31, 2009.

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Financing Receivables

The disclosures in this footnote are required per new guidance issued by the FASB that requires companies to provide more information about the credit quality of their financing receivables including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators.

The following tables show the allowance for loan and lease receivable losses and recorded investments in loans and lease receivables for the years indicated (in thousands):

	Commercial Real Estate Loans	Bank Loans	Lease Receivables	Loans Receivable-Related Party	Total
December 31, 2010:					
Allowance for losses at January 1, 2010	$ 29,297	$ 17,825	$ 1,140	$ –	$ 48,262
Provision for loan loss	44,357	(1,348)	312	–	43,321
Loans charged-off	(42,037)	(13,861)	(1,432)	–	(57,330)
Recoveries	–	–	50	–	50
Allowance for losses at December 31, 2010	$ 31,617	$ 2,616	$ 70	$ –	$ 34,303
Ending balance:					
Individually evaluated for impairment	$ 20,844	$ 112	$ 4,107	$ –	$ 25,063
Collectively evaluated for impairment	$ 10,773	$ 2,504	$ 70	$ –	$ 13,347
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					
Individually evaluated for impairment	$ 42,219	$ 362	$ 10,024	$ –	$ 52,605
Collectively evaluated for impairment	$ 603,415	$ 860,101	$ 99,658	$ 9,927	$ 1,573,101
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
December 31, 2009:					
Allowance for losses at January 1, 2009	$ 15,109	$ 28,758	$ 450	$ –	$ 44,317
Provision for loan loss	31,856	26,855	2,672	–	61,383
Loans charged-off	(17,668)	(37,788)	(1,994)	–	(57,450)
Recoveries	–	–	12	–	12
Allowance for losses at December 31, 2009	$ 29,297	$ 17,825	$ 1,140	$ –	$ 48,262
Ending balance:					
Individually evaluated for impairment	$ 18,764	$ 9,578	$ 2,617	$ –	$ 30,959
Collectively evaluated for impairment	$ 10,533	$ 23,780	$ 1,140	$ –	$ 35,453
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					
Individually evaluated for impairment	$ 66,797	$ 12,772	$ 2,617	$ –	$ 82,186
Collectively evaluated for impairment	$ 680,880	$ 852,480	$ (550)	$ –	$ 1,532,810
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –

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Credit quality indicators

Bank Loans

We use a risk grading matrix to assign grades to bank loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing our highest rating and 5 representing our lowest rating. We consider such things as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies, and industry dynamics.

Credit risk profiles of bank loans for the years indicated were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
As of December 31, 2010:					
Bank loans	$ 759,817	$ 43,858	$ 48,486	$ 7,940	$ 362
As of December 31, 2009:					
Bank loans	$ 680,761	$ 62,102	$ 88,320	$ 21,505	$ 12,564

All of our bank loans are performing with the exception of one loan with a par amount of $362,000 which has been in default since September 2010.

Commercial Real Estate Loans

We use a risk grading matrix to assign grades to commercial real estate loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-4 with 1 representing our highest rating and 4 representing our lowest rating. In addition to the underlying performance of the loan collateral, we consider such things as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms.

Credit risk profiles of commercial real estate loans for the years indicated were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4
As of December 31, 2010:				
Whole loans	$ 123,350	$ 16,143	$ 264,660	$ 37,219
B notes	$ 16,538	$ −	$ 40,913	$ −
Mezzanine loans	$ 32,635	$ −	$ 109,176	$ 5,000
As of December 31, 2009:				
Whole loans	$ 183,617	$ −	$ 204,743	$ 95,174
B notes	$ 81,456	$ −	$ −	$ −
Mezzanine loans	$ 117,635	$ −	$ 55,052	$ 10,000

All of our commercial real estate loans are performing with the exception of one loan with a par amount of $5.0 million which has been in default since May 2010.

Lease receivables

We evaluate the adequacy of the allowance for credit losses in lease receivables based upon, among other factors, management's historical experience with the commercial finance portfolios we manage, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases and loans, a migration analysis is performed that estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. We fully reserve, net of recoveries, all leases and loans after they are 180 days past due.

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Loan and Lease Receivable Portfolios Aging Analysis

The following table shows the loan and lease receivable portfolio aging analysis for the years indicated at cost basis (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
December 31, 2010:							
Whole loans	$ –	$ –	$ –	$ –	$ 441,372	$ 441,372	$ –
B notes	–	–	–	–	57,451	57,451	–
Mezzanine loans	–	–	5,000	5,000	141,811	146,811	–
Bank loans	–	–	–	–	860,463	860,463	–
Lease receivables	630	237	829	1,696	107,986	109,682	–
Loans receivable-related party	–	–	–	–	9,927	9,927	–
Total loans	$ 630	$ 237	$ 5,829	$ 6,696	$ 1,619,010	$ 1,625,706	$ –
December 31, 2009:							
Whole loans	$ –	$ –	$ 7,378	$ 7,378	$ 476,157	$ 483,535	$ –
B notes	–	–	–	–	81,456	81,456	–
Mezzanine loans	–	–	–	–	182,686	182,686	–
Bank loans	–	–	–	–	865,252	865,252	–
Lease receivables	–	–	1,815	1,815	252	2,067	–
Loans receivable-related party	–	–	–	–	–	–	–
Total loans	$ –	$ –	$ 9,193	$ 9,193	$ 1,605,803	$ 1,614,996	$ –

Impaired Loans and Lease Receivables

The following tables show impaired loans and lease receivables for the years indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2010:					
Loans and lease receivables without a specific valuation allowance:					
Whole loans	$ 111,401(1)	$ 111,401	$ –	$ 58,058	$ 1,133
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ –	$ –	$ –	$ –	$ –
Bank loans	$ –	$ –	$ –	$ –	$ –
Lease receivables	$ –	$ –	$ –	$ –	$ –
Loans and lease receivables with a specific valuation allowance:					
Whole loans	$ 37,219	$ 37,219	$ (15,844)	$ 36,740	$ 993
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ 5,000	$ 5,000	$ (5,000)	$ 5,000	$ –
Bank loans	$ 362	$ 362	$ (112)	$ 8,971	$ –
Lease receivables	$ 10,024	$ 10,024	$ (4,107)	$ 4,791	$ –
Total:					
Whole loans	$ 148,620	$ 148,620	$ (15,844)	$ 94,798	$ 2,126
B notes	–	–	–	–	–
Mezzanine loans	5,000	5,000	(5,000)	5,000	–
Bank loans	362	362	(112)	8,971	–
Lease receivables	10,024	10,024	(4,107)	4,791	–
	$ 164,006	$ 164,006	$ (25,063)	$ 113,560	$ 2,126

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	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2009:					
Loans and lease receivables without a specific valuation allowance:					
Whole loans	$ 7,378(1)	$ 7,378	$ –	$ 7,378	$ –
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ 10,517(1)	$ 10,517	$ –	$ 10,517	$ –
Bank loans	$ –	$ –	$ –	$ –	$ –
Lease receivables	$ –	$ –	$ –	$ –	$ –
Loans and lease receivables with a specific valuation allowance:					
Whole loans	$ 66,797	$ 66,797	$ (18,764)	$ 79,804	$ 2,307
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ –	$ –	$ –	$ –	$ –
Bank loans	$ 12,772	$ 12,772	$ (9,578)	$ 1,693	$ –
Lease receivables	$ 2,617	$ 2,617	$ (2,617)	$ –	$ –
Total:					
Whole loans	$ 74,175	$ 74,175	$ (18,764)	$ 87,182	$ 2,307
B notes	–	–	–	–	–
Mezzanine loans	10,517	10,517	–	10,517	–
Bank loans	12,772	12,772	(9,578)	1,693	–
Lease receivables	2,617	2,617	(2,617)	–	–
	$ 100,081	$ 100,081	$ (30,959)	$ 99,392	$ 2,307

(1) Specific allowances were not taken on whole loans of $111.4 million at par value as of December 31, 2010 and whole loans of $7.4 million and mezzanine loans of $10.5 million at par value as of December 31, 2009 that were evaluated for and deemed to be troubled debt restructurings, or TDRs. These TDRs do not have an associated specific loan loss allowance because the principal and interest amount is considered recoverable based on expected collateral performance and / or guarantees made by the borrowers.

Stockholders' Equity

Stockholders' equity at December 31, 2010 was $348.3 million and gave effect to $13.3 million of unrealized losses on cash flow hedges and $19.3 million of unrealized losses on our available-for-sale portfolio, shown as a component of accumulated other comprehensive loss. Stockholders' equity at December 31, 2009 was $228.8 million and gave effect to $12.8 million of unrealized losses on cash flow hedges and $47.6 million of unrealized losses on our available-for-sale portfolio, shown as a component of accumulated other comprehensive loss. The increase in stockholders' equity during the year ended December 31, 2010 was principally due to the receipt of $42.8 million related to a common stock offering in May 2010 combined with $76.8 of proceeds related to our DRIP in 2010.

As a result of "available-for-sale" accounting treatment, unrealized fluctuations in market values of certain assets do not impact our income determined in accordance with accounting principles generally accepted in the United States of America, or GAAP, or our taxable income, but rather are reflected on our consolidated balance sheets by changing the carrying value of the asset and stockholders' equity under "Accumulated Other Comprehensive Loss." By accounting for our assets in this manner, we hope to provide useful information to stockholders and creditors and to preserve flexibility to sell assets in the future without having to change accounting methods.

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Adjusted Net Income

The following table reconciles GAAP net income to adjusted net income, which is a non-GAAP financial measure. (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Net income (loss) − GAAP	$ 19,447	$ 6,339	$ (3,074)
Adjustments:			
Provision for loan and lease losses (2)	43,321	61,383	46,159
Asset impairments	26,804	13,471	−
Gains on the extinguishment of debt	(34,610)	(44,546)	(1,750)
Adjusted net income, excluding non-cash items (1)	$ 54,962	$ 36,647	$ 41,335
Adjusted net income per share – diluted, excluding non-cash items	$ 1.15	$ 1.45	$ 1.67

(1) During 2010, we evaluated our performance based on several performance measures, including adjusted net income (loss), in addition to net income and estimated REIT taxable income. Adjusted net income represents net income available to common shares, computed in accordance with GAAP, before provision for loan and lease losses, gain on the extinguishment of debt and non-operating capital items. These items are recorded in accordance with GAAP and are typically non-cash or non-operating items that do not impact our operating performance or ability to pay a dividend.

Management views adjusted net income as a useful and appropriate supplement to GAAP net income (loss) because it helps management evaluate our performance without the effects of certain GAAP adjustments that may not have a direct financial impact on our current operating performance and dividend paying ability. Management uses adjusted net income to evaluate the performance of our investment portfolios, ability to manage its expenses and dividend paying ability before the impact of non-cash adjustments and non-operating capital gain or loss recorded in accordance with GAAP. We believe this is a useful performance measure for investors to evaluate these aspects of our business as well. The most significant adjustments we exclude in determining adjusted earnings as of December 31, 2010 and 2009 are the provision for loan and lease losses, loss from asset impairments and gain on the extinguishment of debt. Management excludes all such items from our calculation of adjusted net income because these items are not charges or losses which would impact our current operating performance. However, by excluding these significant items, adjusted net income reduces an investor's understanding of our operating performance by excluding management's expectation of possible future gains or losses from our investment portfolio.

Adjusted net income, as a non-GAAP financial measurement, does not purport to be an alternative to GAAP net income, or a measure of operating performance or cash flows from operating activities determined in accordance with GAAP as a measure of liquidity. Instead, adjusted net income should be reviewed in connection with net income and cash flows from operating, investing and financing activities in our consolidated financial statements to help analyze management's expectation of potential future losses from our investment portfolio and other non-cash or capital matters that impact our financial results. Adjusted net income and other supplemental performance measures are defined in various ways throughout the REIT industry. Investors should consider these differences when comparing our adjusted net income to these other REITs.

(2) Non-cash charges for loan and lease losses.

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REIT Taxable Income

We calculate estimated REIT taxable income, which is a non-GAAP financial measure, according to the requirements of the Internal Revenue Code. The following table reconciles GAAP net income to estimated REIT taxable income for the periods presented (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Net income (loss) – GAAP	$ 19,447	$ 6,339	$ (3,074)
Taxable REIT subsidiary's (loss) income	(9,833)	3,138	–
Adjusted net income (loss)	9,614	9,477	(3,074)
Adjustments:			
Share-based compensation to related parties	805	543	(1,620)
Capital carryover (utilization)/losses from the sale of securities	(5,013)	4,818	2,000
Provision for loan and lease losses unrealized	44,357	26,877	14,817
Asset impairments	26,638	13,471	–
Equity in income of real estate joint venture	(14,493)	-	–
Tax gain on sale of real estate joint venture	1,443	-	–
Deferral of extinguishment of debt income	–	(28,530)	–
Net book to tax adjustment for the inclusion of our taxable foreign REIT subsidiaries	(22,204)	(6,277)	27,115
Subpart F income limitation	–	9,872	–
Distributable earnings from nonconsolidating taxable REIT subsidiary	1,000	–	–
Other net book to tax adjustments	(1,423)	1,212	16
Estimated REIT taxable income	$ 40,724	$ 31,463	$ 39,254

We believe that a presentation of estimated REIT taxable income provides useful information to investors regarding our financial condition and results of operations as we use this measurement to determine the amount of dividends that we are required to declare to our stockholders in order to maintain our status as a REIT for federal income tax purposes. Since we, as a REIT, expect to make distributions based on estimated taxable earnings, we expect that our distributions may at times be more or less than our reported GAAP earnings. Total taxable income is the aggregate amount of taxable income generated by us and by our domestic and foreign taxable REIT subsidiaries. Estimated REIT taxable income excludes the undistributed taxable income of our domestic TRS, if any such income exists, which is not included in REIT taxable income until distributed to us. There is no requirement that our domestic TRS distribute its earning to us. Estimated REIT taxable income, however, includes the taxable income of our foreign TRSs because we are generally required to recognize and report their taxable income on a current basis. Because not all companies use identical calculations, this presentation of estimated REIT taxable income may not be comparable to other similarly-titled measures of other companies.

In order to maintain our qualification as a REIT and to avoid corporate-level income tax on the income we distribute to our stockholders, we intend to make regular quarterly distributions of all or substantially all of our estimated net REIT taxable income to holders of our common stock. This requirement can impact our liquidity and capital resources.

Liquidity and Capital Resources

In fiscal 2010, our principal sources of current liquidity were $42.8 million of net proceeds from our May 2010 offering and $76.8 million of proceeds from sales of common stock through our DRIP and funds available in existing CDO financings of $160.5 million at December 31, 2010. In fiscal 2009, our principal sources of current liquidity were $43.4 million of net proceeds from our December 2009 offering and $8.9 million of proceeds from sales of common stock through our DRIP and funds available in existing CDO financings of $80.5 million at December 31, 2009.

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Our on-going liquidity needs consist principally of funds to make investments, make debt repurchases, make distributions to our stockholders and pay our operating expenses, including our management fees. Our ability to meet our on-going liquidity needs will be subject to our ability to generate cash from operations and, with respect to our investments, our ability to maintain and/or obtain additional debt financing and equity capital together with the funds referred to above. Historically, we have financed a substantial portion of our portfolio investments through CDOs that essentially match the maturity and repricing dates of these financing vehicles with the maturities and repricing dates of our investments. We derive substantial operating cash from our equity investments in our CDOs, which if the CDOs fail to meet certain tests, will cease. Through December 31, 2010, we have not experienced difficulty in maintaining our existing CDO financing and have passed all of the critical tests required by these financings. However, we cannot assure you that we will continue to meet all such critical tests in the future. If we are unable to renew, replace or expand our sources of existing financing on substantially similar terms, we may be unable to implement our investment strategies successfully and may be required to liquidate portfolio investments. If required, a sale of portfolio investments could be at prices lower than the carrying value of such assets, which would result in losses and reduced income.

The following table sets forth collateralized debt obligations – distributions and coverage test summary for the periods presented (in thousands):

		Cash Distributions		Annualized Interest Coverage Cushion	Overcollateralization Cushion	
		Years Ended				
Name	**CDO Type**	**December 31, 2010 (1)**	**December 31, 2009 (1)**	**As of December 31, 2010 (2) (3)**	**As of December 31, 2010 (4)**	**As of Initial Measurement Date**
		(actual)	(actual)			
Apidos CDO I	CLO	$ 7,695	$ 6,643	$ 8,528	$ 12,854	$ 17,136
Apidos CDO III	CLO	$ 6,552	$ 6,390	$ 3,483	$ 8,531	$ 11,269
Apidos Cinco CDO	CLO	$ 7,792	$ 7,553	$ 4,488	$ 21,030	$ 17,774
RREF 2006-1	CRE CDO	$ 8,929	$ 13,222	$ 7,555	$ 18,446	$ 24,941
RREF 2007-1	CRE CDO	$ 15,068	$ 20,536	$ 11,918	$ 14,024	$ 26,032

(1) Distributions on retained equity interests in CDOs (comprised of note investment and preference share ownership).

(2) Interest coverage includes annualized amounts based on the most recent trustee statements.

(3) Interest coverage cushion represents the amount by which annualized interest income expected exceeds the annualized amount payable on all classes of CDO notes senior to our preference shares.

(4) Overcollateralization cushion represents the amount by which the collateral held by the CDO issuer exceeds the maximum amount required.

At February 28, 2011, after paying the 2010 fourth quarter dividend, our liquidity of $215.0 million consists of two primary sources:

- unrestricted cash and cash equivalents of $9.4 million and restricted cash of $2.5 million in margin call accounts; and
- capital available for reinvestment in our five CDO entities of $203.1 million, of which $0.9 million is designated to finance future funding commitments on CRE loans.

Our leverage ratio may vary as a result of the various funding strategies we use. As of December 31, 2010 and 2009, our leverage ratio was 4.4 times and 6.7 times, respectively. The decrease in leverage ratio was primarily due to the offering proceeds received during our May 2010 offering, DRIP issuances and the repurchase of our CDO debt at substantial discounts during the year ended December 31, 2010.

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Contractual Obligations and Commitments

The table below summarizes our contractual obligations as of December 31, 2010. The table below excludes contractual commitments related to our derivatives, which we discuss in Item 7A – "Quantitative and Qualitative Disclosures about Market Risk," because those contracts do not have fixed and determinable payments.

	Contractual Commitments (dollars in thousands) Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
CDOs	$ 1,397,880	$ –	$ –	$ –	$ 1,397,880(1)
Equipment contract backed notes, Series 2010-2	95,016	–	–	–	95,016(2)
Unsecured junior subordinated debentures	51,548	–	–	–	51,548(3)
Base management fees [4]	6,258	6,258	–	–	–
Total	$ 1,550,702	$ 6,258	$ –	$ –	$ 1,544,444

(1) Contractual commitment does not include $28.9 million, $39.2 million, $32.2 million, $38.3 million and $69.0 million of interest expense payable through the non-call dates of July 2010, May 2011, June 2011, August 2011 and June 2012, respectively, on Apidos CDO I, Apidos Cinco CDO, Apidos CDO III, RREF 2006-1 and RREF 2007-1. The non-call date represents the earliest period under which the CDO assets can be sold, resulting in repayment of the CDO notes.

(2) Contractual commitments do not include $34.9 million of interest expense payable through the maturity date of May 2016 on our equipment-backed securitized notes.

(3) Contractual commitment does not include $57.9 million and $59.0 million of interest expense payable through the maturity dates of June 2036 and October 2036, respectively, on our trust preferred securities.

(4) Calculated only for the next 12 months based on our current equity, as defined in our management agreement. Our management agreement also provides for an incentive fee arrangement that is based on operating performance. Because the incentive fee is not a fixed and determinable amount, it is not included in this table.

At December 31, 2010, we had 10 interest rate swap contracts with a notional value of $166.8 million. These contracts are fixed-for-floating interest rate swap agreements under which we contracted to pay a fixed rate of interest for the term of the hedge and will receive a floating rate of interest. See "– Financial Condition – Hedging Instruments." As of December 31, 2010, the average fixed pay rate of our interest rate hedges was 5.17% and our receive rate was one-month LIBOR, or 0.26%. In addition, we also had an interest rate cap agreement with a notional amount of $14.8 million outstanding which reduced our exposure to variability in future cash flows attributable to LIBOR.

Off-Balance Sheet Arrangements

As of December 31, 2010, we did not maintain any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, special purpose or variable interest entities, established for the purpose of facilitating off-balance sheet arrangements or contractually narrow or limited purposes. Further, as of December 31, 2010, we had not guaranteed any obligations of unconsolidated entities or entered into any commitment or letter of intent to provide additional funding to any such entities.

We have certain unfunded commitments related to our commercial real estate loan portfolio that we may be required to fund in the future. Our unfunded commitments generally fall into two categories: (1) pre-approved capital improvement projects; and (2) new or additional construction costs subject, in each case, to the borrower meeting specified criteria. Upon completion of the improvements or construction, we would receive additional loan interest income on the advanced amount. As of December 31, 2010, we had five loans with unfunded commitments totaling $5.0 million, of which $1.3 million will be funded by restricted cash in RREF CDO 2007-1.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared by management in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires that we make estimates and assumptions that may affect the value of our assets or liabilities and our financial results. We believe that certain of our policies are critical because they require us to make difficult, subjective and complex judgments about matters that are inherently uncertain. The critical policies summarized below relate to valuation of investment securities, accounting for derivative financial instruments and hedging activities, income taxes, allowance for loan and lease losses and variable interest entities. We have reviewed these accounting policies with our board of directors and 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 the time. We rely on the Manager's experience and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates.

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Valuation of Investment Securities

We classify our investment portfolio as either trading investments, available-for-sale investments or held-to-maturity investments. Although we generally plan to hold most of our investments to maturity, we may, from time to time, sell any of our investments due to changes in market conditions or in accordance with our investment strategy. For a discussion of the basis of fair value analysis, and of the determination of whether an asset's valuation should be characterized as Level 1, Level 2 or Level 3, see Note 17, "Fair Value of Financial Instruments" in the notes to consolidated financial statements.

We report securities available-for-sale at fair value, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. As of December 31, 2010 and 2009, we had aggregate unrealized losses on our available-for-sale securities of $19.3 million and $47.6 million, respectively, which, if not recovered, may result in the recognition of future losses. To determine fair value, we use two methods, either a dealer quote or an internal valuation model, depending upon when the position was purchased and the current level of market activity.

For securities purchased in 2009 and thereafter, we obtain a quote from a dealer, which typically will be the dealer who sold us the security. We have been advised that, in formulating their quotes, dealers may use recent trades in the particular security, if any, market activity in similar securities, if any, or internal valuation models. These quotes are non-binding. As a result of how the dealers develop their quotes, the market illiquidity and low levels of trading activity as of December 31, 2009, we categorized all of these investment securities available-for-sale in Level 3 in the fair value hierarchy. Due to the increased level of trading activity in 2010, we moved some of these securities into Level 2 in the fair value hierarchy. We evaluate the reasonableness of the quotes we receive by applying our own valuation models. If there is a material difference between a quote we receive and the value indicated by our valuation models, we will evaluate the difference. As part of that evaluation, we will discuss the difference with the dealer, who may revise their quote based upon these discussions. Alternatively, we may revise our valuation models.

For securities purchased prior to 2009, we determine fair value based on taking a weighted average of the following three measures:

- dealer quotes, as described above;
- quotes on more actively-traded, higher rated securities issued in a similar time period, adjusted for differences in rating and seniority; and
- the value resulting from an internal valuation model using an income approach based upon an appropriate risk-adjusted yield, time value and projected losses using default assumptions based upon an historical analysis of underlying loan performance.

We are required to determine when an investment is considered impaired (i.e., decline in fair value below its amortized cost), evaluate whether the impairment is other than temporary (i.e., the investment value will not be recovered over its remaining life), and, if the impairment is other than temporary, recognize an impairment loss equal to the difference between the investment's cost and its fair value.

Our investment securities-trading are reported at fair value. To determine fair value, we use dealer quotes or bids which are tested by applying an income approach that uses appropriate prepayment, default and recovery rates. We record any changes in fair value in on our results of operations as net unrealized gain on invest securities-trading.

We record investment securities transactions on the trade date. We record purchases of newly issued securities when all significant uncertainties regarding the characteristics of the securities are removed, generally shortly before settlement date. We determine realized gains and losses on investment securities on the specific identification method.

Accounting for Derivative Financial Instruments and Hedging Activities

Our policies permit us to enter into derivative contracts, including interest rate swaps and interest rate caps, as a means of mitigating our interest rate risk on forecasted interest expense associated with the benchmark rate on forecasted rollover/reissuance of repurchase agreements or the interest rate repricing of repurchase agreements, or other similar hedged items, for a specified future time period.

As of December 31, 2010, we had engaged in 10 interest rate swaps with a notional value of $166.8 million and a fair value of ($13.3) million to seek to mitigate our interest rate risk for specified future time periods as defined in the terms of the hedge contracts. As of December 31, 2009, we had engaged in 13 interest rate swaps with a notional value of $217.9 million and a fair value of ($12.8) million to seek to mitigate our interest rate risk for specified future time periods as defined in the terms of the hedge contracts. The contracts we have entered into have been designated as cash flow hedges and are evaluated at inception and on an ongoing basis in order to determine whether they qualify for hedge accounting. The hedge instrument must be highly effective in achieving offsetting changes in the hedged item attributable to the risk being hedged in order to qualify for hedge accounting. A hedge instrument is highly effective if changes in the fair value of the derivative provide an offset to at least 80% and not more than 125% of the changes in fair value or cash flows of the hedged item attributable to the risk being hedged. The interest rate swap contracts are carried on our consolidated balance sheets at fair value. Any ineffectiveness which arises during the hedging relationship must be recognized in interest expense during the period in which it arises. Before the end of the specified hedge time period, the effective portion of all contract gain and losses (whether realized or unrealized) is recorded in other comprehensive income or loss. Realized gains and losses on the interest rate hedges are reclassified into earnings as an adjustment to interest expense during the period after the swap repricing date through the remaining maturity of the swap. For taxable income purposes, realized gains and losses on interest rate cap and swap contracts are reclassified into earnings over the term of the hedged transactions as designated for tax.

We are not required to account for derivative contracts using hedge accounting as described above. If we decided not to designate the derivative contracts as hedges and to monitor their effectiveness as hedges, or if we entered into other types of financial instruments that did not meet the criteria to be designated as hedges, changes in the fair values of these instruments would be recorded in our statement of operations, potentially resulting in increased volatility in our earnings. We had one non-designated interest rate cap agreement with a fair value of $0 and $45,000 and a notional amount of $14.8 million outstanding at December 31, 2010 and 2009, respectively, which reduced our exposure to variability in future cash flows attributable to LIBOR. We recorded interest expense of $46,000 and $89,000 for the year ended December 31, 2010 and 2009, respectively.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

The tax rates we use to determine deferred tax assets or liabilities are the enacted tax rates in effect for the year in which we expect the differences to reverse. We recognize effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws in net earnings in the period during which such changes are enacted. The future realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. We continually evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing forecasted taxable income using both historical and projected future operating results, the reversal of existing temporary differences, taxable income in prior carryback years (if permitted) and the availability of tax planning strategies. We must establish a valuation allowance unless we determine that it is more likely than not that we will ultimately realize the tax benefit associated with a deferred tax asset.

Allowance for Loan and Lease Losses

We maintain an allowance for loan and lease losses. Loans and leases held for investment are first individually evaluated for impairment, and then evaluated as a homogeneous pool as loans with substantially similar characteristics for impairment. We perform the reviews at least quarterly.

We consider an individual loan to be impaired when, based on current information and events, management believes it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, we increase the allowance for loan losses by the amount of the excess of the amortized cost basis of the loan over its fair value. Fair value may be determined based on the present value of estimated cash flows; on market price, if available; or the fair value of the collateral less estimated disposition costs. When we consider a loan, or a portion thereof, uncollectible and pursuit of the collection is not warranted, we will record a charge-off or write-down of the loan against the allowance for credit losses.

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We evaluate the adequacy of the allowance for credit losses on lease receivables based upon, among other factors, management's historical experience with the lease receivables portfolios it manages, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases, a migration analysis is performed, which estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. We base the allowance for losses upon our previous loss history, economic conditions and trends. Our policy is to charge-off to the allowance those financings for which management believes the collectability is unlikely.
An impaired loan or lease may remain on accrual status during the period in which we are pursuing repayment of the loan or lease; however, we place the loan or lease on non-accrual status at such time as either (i) management believes that scheduled debt service payments will not be met within the coming 12 months; (ii) the loan or lease becomes 90 days delinquent; (iii) management determines the borrower is incapable of, or has ceased efforts toward curing the cause of the impairment; or (iv) the net realizable value of the loan's underlying collateral approximates our carrying value for the loan. While on non-accrual status, we recognize interest income only when an actual payment is received.

Variable Interest Entities

Under current accounting standards, we must consolidate the assets, liabilities and results of operations of a variable interest entity, or VIE, into our financial statements if we have a controlling financial interest in it. We consider all counterparties to a transaction to determine whether a counterparty is a VIE and, if so, whether our involvement with the entity results in a variable interest in the entity. We perform analyses to determine whether we are the primary beneficiary. As of December 31, 2010, we determined that RREF CDO 2007-1, RREF CDO 2006-1, Apidos CDO I, Apidos CDO III and Apidos Cinco CDO and LEAF Funding 3 were VIEs and that we were the primary beneficiary.

Recent Accounting Pronouncements

In January 2011, the Financial Accounting Standards Board ("FASB") issued guidance to delay the disclosures about troubled debt restructurings originally effective as of December 15, 2010. The guidance is now anticipated to be effective for interim and annual periods ending after June 15, 2011. We expect that adoption will require additional disclosure in the notes to our consolidated financial statements.

In July 2010, the FASB issued guidance that will require companies to provide more information about the credit quality of their financing receivables in the disclosures to financial statements including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. The guidance became effective for us as of December 15, 2010. Adoption required additional disclosure (see Note 9).

In February 2010, the FASB issued guidance which removes the requirement to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either a correction of error or retrospective application of GAAP. This guidance was effective upon issuance.

In January 2010, the FASB issued guidance that requires new disclosures and clarifies some existing disclosure requirements about fair value measurements. The new pronouncement requires a reporting entity: (1) to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (2) to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs. In addition, it clarifies the requirements of the following existing disclosures: (1) for purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities, and (2) a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The new guidance was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements which will be effective in fiscal 2011. Adoption required additional disclosure to delineate such categories in the notes to our consolidated financial statements (see Note 17) with respect to the guidance effective on and after December 15, 2009.

In December 2009, the FASB issued guidance for improving financial reporting for enterprises involved with VIEs regarding power to direct the activities of a VIE as well as obligations to absorb the losses. This guidance was effective for interim and annual periods beginning after November 15, 2009. Adoption of this guidance did not have a material impact on our consolidated financial statements.

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In June 2009, the FASB issued guidance for consolidation of VIEs which changed the consolidation guidance applicable to a VIE and amended the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE and, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. This standard also requires continuous reassessment of whether an enterprise is the primary beneficiary of a VIE as well as enhanced disclosures about an enterprise's involvement with a VIE. This guidance was effective for interim and annual periods beginning after November 15, 2009. Adoption of this guidance did not have a material impact on our consolidated financial statements. We will do a continuous reassessment of our conclusion as stipulated in this statement.

In June 2009, the FASB issued guidance for accounting for transfers of financial assets. The guidance eliminated the concept of a "qualifying special-purpose entity," changed the requirements for derecognizing financial assets and requires greater transparency of related disclosures. This statement is effective for fiscal years beginning after November 15, 2009. Adoption of this statement did not have a material impact on our consolidated financial statements.

Inflation

Virtually all of our assets and liabilities are 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 financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors based primarily by our net income as calculated for tax purposes; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2010 and 2009, the primary component of our market risk was interest rate risk, as described below. While we do not seek to avoid risk completely, we do seek to assume risk that can be quantified from historical experience, to actively manage that risk, to earn sufficient compensation to justify assuming that risk and to maintain capital levels consistent with the risk we undertake or to which we are exposed.

Effect on Fair Value

A component of interest rate risk is the effect changes in interest rates will have on the market value of our assets. We face the risk that the market value of our assets will increase or decrease at different rates than that of our liabilities, including our hedging instruments.

We primarily assess our interest rate risk by estimating the duration of our assets and the duration of our liabilities. Duration essentially measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration numbers for the same securities.

The following sensitivity analysis tables show, at December 31, 2010, the estimated impact on the fair value of our interest rate-sensitive investments and liabilities of changes in interest rates, assuming rates instantaneously fall 100 basis points and rise 100 basis points (dollars in thousands):

	December 31, 2010		
	Interest rates fall 100 basis points	**Unchanged**	**Interest rates rise 100 basis points**
CMBS – private placement [(1)]:			
Fair value	$ 56,491	$ 54,125	$ 51,939
Change in fair value	$ 2,336	$ −	$ (2,216)
Change as a percent of fair value	4.31%	−%	4.09%
Hedging instruments:			
Fair value	$ (20,622)	$ (13,292)	$ (6,162)
Change in fair value	$ (7,330)	$ −	$ 7,130
Change as a percent of fair value	55.15%	−%	53.64%

(1) Includes the fair value of available-for-sale investments that are sensitive to interest rate change.

For purposes of the table, we have excluded our investments with variable interest rates that are indexed to LIBOR. Because the variable rates on these instruments are short-term in nature, we are not subject to material exposure to movements in fair value as a result of changes in interest rates.

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It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points from current levels. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown above and such difference might be material and adverse to our stockholders.

Risk Management

To the extent consistent with maintaining our status as a REIT, we seek to manage our interest rate risk exposure to protect our portfolio of fixed-rate commercial real estate mortgages and CMBS and related debt against the effects of major interest rate changes. We generally seek to manage our interest rate risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our mortgage-backed securities and our borrowings;
- attempting to structure our borrowing agreements for our CMBS to have a range of different maturities, terms, amortizations and interest rate adjustment periods; and
- using derivatives, financial futures, swaps, options, caps, floors and forward sales, to adjust the interest rate sensitivity of our fixed-rate commercial real estate mortgages and CMBS and our borrowing which we discuss in “Financial Condition-Hedging Instruments.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Resource Capital Corp.

We have audited the accompanying consolidated balance sheets of Resource Capital Corp. (a Maryland corporation) and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits of the basic financial statements included the financial statement schedules listed in the index appearing under item 15 (a) 2. These consolidated financial statements and financial statement schedules are the responsibility of our management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resource Capital Corp. and its subsidiaries as of December 31, 2010 and 2009, and the results of their consolidated operations and their consolidated cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Resource Capital Corp. and its subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO*)* and our report dated March 14, 2011 expressed an unqualified opinion on internal control over financial reporting.

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania
March 14, 2011

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

	December 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 29,488	$ 51,991
Restricted cash	168,192	85,125
Investment securities-trading	17,723	–
Investment securities available-for-sale, pledged as collateral, at fair value	57,998	39,304
Investment securities available-for-sale, at fair value	5,962	5,238
Investment securities held-to-maturity, pledged as collateral	29,036	31,401
Property available-for-sale	4,444	–
Loans, pledged as collateral and net of allowances of $34.2 million and $47.1 million	1,443,271	1,557,757
Loans held for sale	28,593	8,050
Lease receivables, pledged as collateral, net of allowances of $70,000 and $1.1 million and net of unearned income	109,612	927
Loans receivable–related party	9,927	–
Investments in unconsolidated entities	6,791	3,605
Dividend reinvestment plan proceeds receivable	10,000	–
Interest receivable	6,330	5,754
Deferred tax asset	4,401	–
Other assets	2,432	2,252
Total assets	$ 1,934,200	$ 1,791,404
LIABILITIES		
Borrowings	$ 1,543,251	$ 1,534,874
Distribution payable	14,555	9,170
Accrued interest expense	1,618	1,516
Derivatives, at fair value	13,292	12,767
Deferred tax liability	9,798	–
Accounts payable and other liabilities	3,360	4,247
Total liabilities	1,585,874	1,562,574
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001: 100,000,000 shares authorized; no shares issued and outstanding	–	–
Common stock, par value $0.001: 500,000,000 shares authorized; 58,183,425 and 36,545,737 shares issues and outstanding (including 534,957 and 437,319 unvested restricted shares)	58	36
Additional paid-in capital	528,373	405,517
Accumulated other comprehensive loss	(33,918)	(62,154)
Distributions in excess of earnings	(146,187)	(114,569)
Total stockholders' equity	348,326	228,830
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,934,200	$ 1,791,404

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	December 31,		
	2010	**2009**	**2008**
REVENUES			
Interest income:			
Loans	$ 76,836	$ 84,563	$ 117,108
Securities	11,434	7,225	6,378
Leases	11,306	4,336	8,180
Interest income – other	4,335	1,469	2,675
Total interest income	103,911	97,593	134,341
Interest expense	36,466	45,427	79,619
Net interest income	67,445	52,166	54,722
OPERATING EXPENSES			
Management fees – related party	13,216	8,363	6,301
Equity compensation – related party	2,221	1,240	540
Professional services	3,627	3,866	3,349
Insurance	759	828	641
Depreciation on operating leases	4,003	–	–
General and administrative	3,061	1,764	1,848
Income tax expense (benefit)	5,721	(2)	(241)
Total expenses	32,608	16,059	12,438
	34,837	36,107	42,284
OTHER (EXPENSE) REVENUE			
Impairment losses on investment securities	(29,042)	(27,490)	(26,611)
Recognized in other comprehensive loss	(2,238)	(14,019)	(26,611)
Net impairment losses recognized in earnings	(26,804)	(13,471)	–
Net realized gain (loss) on investment securities available-for-sale and loans	4,821	1,890	(1,637)
Net realized gain on investment securities-trading	5,052	–	–
Net unrealized gain on investment securities-trading	9,739	–	–
Provision for loan and lease losses	(43,321)	(61,383)	(46,160)
Gain on the extinguishment of debt	34,610	44,546	1,750
Gain on the settlement of loan	–	–	574
Other income (expense)	513	(1,350)	115
Total other expense	(15,390)	(29,768)	(45,358)
NET INCOME (LOSS)	$ 19,447	$ 6,339	$ (3,074)
NET INCOME (LOSS) PER SHARE – BASIC	$ 0.41	$ 0.25	$ (0.12)
NET INCOME (LOSS) PER SHARE – DILUTED	$ 0.41	$ 0.25	$ (0.12)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC	47,715,082	25,205,403	24,757,386
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	47,907,281	25,355,821	24,757,386
DIVIDENDS DECLARED PER SHARE	$ 1.00	$ 1.15	$ 1.60

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2010, 2009 and 2008
(in thousands, except share and per share data)

	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Distributions in Excess of Earnings	Treasury Shares	Total Stockholders' Equity	Comprehensive (Loss)/Income
Balance, January 1, 2008	25,103,532	$ 25	$ 357,976	$ (38,323)	$ –	$ (45,301)	$ (2,771)	$ 271,606	
Net proceeds from dividend reinvestment and stock purchase plan	10,831	–	40	–	–	–	–	40	–
Offering costs	–	–	(22)	–	–	–	–	(22)	–
Retirement of treasury shares	–	–	(2,771)	–	–	–	2,771	–	–
Stock based compensation	234,871	1	340	–	–	–	–	341	–
Amortization of stock based compensation	–	–	540	–	–	–	–	540	–
Forfeiture of unvested stock	(4,367)	–	–	–	–	–	–	–	
Net income	–	–	–	–	(3,074)	–	–	(3,074)	(3,074)
Available-for-sale securities, fair value adjustment	–	–	–	(24,288)	–	–	–	(24,288)	(24,288)
Designated derivatives, fair value adjustment	–	–	–	(18,096)	–	–	–	(18,096)	(18,096)
Distributions on common stock	–	–	–	–	3,074	(43,816)	–	(40,742)	
Comprehensive loss	–	–	–	–	–	–	–	–	$ (45,458)
Balance, December 31, 2008	25,344,867	26	356,103	(80,707)	–	(89,117)	–	186,305	
Proceeds from common stock offering	10,294,455	10	46,316	–	–	–	–	46,326	–
Proceeds from dividend reinvestment and stock purchase plan	1,895,043	1	8,994	–	–	–	–	8,995	–
Offering costs	–	–	(2,964)	–	–	–	–	(2,964)	–
Repurchase and retirement of treasury shares	(1,400,000)	(1	(5,039)	–	–	–		(5,040)	–
Stock based compensation	419,563		867	–	–	–	–	867	–
Amortization of stock based compensation	–	–	1,240	–	–	–	–	1,240	–
Forfeiture of unvested stock	(8,191)	–	–	–	–	–	–	–	–
Net income	–	–	–	–	6,339	–	–	6,339	6,339
Securities available-for-sale, fair value adjustment, net	–	–	–	(729)	–	–	–	(729)	(729)
Designated	–	–	–	19,282	–	–	–	19,282	19,282

derivatives, fair value adjustment									
Distributions on common stock	–	–	–	–	(6,339)	(25,452)	–	(31,791)	
Comprehensive income	–	–	–	–	–	–	–	–	$ 24,892
Balance, December 31, 2009	36,545,737	$ 36	$ 405,517	$ (62,154)	$ –	$ (114,569)	$ –	$ 228,830	
Proceeds from dividend reinvestment and stock purchase plan	12,422,956	12	76,797	–	–	–	–	76,809	–
Proceeds from common stock offering	8,625,000	9	45,273	–	–	–	–	45,282	–
Offering costs	–	–	(2,875)	–	–	–	–	(2,875)	–
Stock based compensation	589,732	1	1,440	–	–	–	–	1,441	–
Amortization of stock based compensation	–	–	2,221	–	–	–	–	2,221	–
Net income	–	–	–	–	19,447	–	–	19,447	19,447
Securities available-for-sale, fair value adjustment, net	–	–	–	28,329	–	–	–	28,329	28,329
Designated derivatives, fair value adjustment	–	–	–	(93)	–	–	–	(93)	(93)
Distributions on common stock	–	–	–	–	(19,447)	(31,618)	–	(51,065)	
Comprehensive income	–	–	–	–	–	–	–	–	$ 47,683
Balance, December 31, 2010	58,183,425	$ 58	$ 528,373	$ (33,918)	$ –	$ (146,187)	$ –	$ 348,326	

The accompanying notes are an integral part of this statement

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 19,447	$ 6,339	$ (3,074)
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan and lease losses	43,321	61,383	46,160
Depreciation and amortization of term facilities	875	1,355	1,019
Depreciation on operating leases	4,003	–	–
Accretion of net discounts on investments	(18,672)	(8,719)	(1,478)
Amortization of discount on notes of CDOs	1,963	1,032	173
Amortization of debt issuance costs on notes of CDOs	4,226	4,058	3,129
Amortization of stock-based compensation	2,221	1,240	540
Amortization of terminated derivative instruments	387	499	205
Deferred income tax benefits	5,397	–	–
Non-cash incentive compensation to the Manager	1,098	1,143	440
Purchase of securities, trading	(16,317)	–	–
Principal payments on securities, trading	37	–	–
Proceeds from sales of securities, trading	13,357	–	–
Net unrealized gain on investment securities-trading	(9,739)	–	–
Unrealized losses on non-designated derivative instruments	46	95	–
Net realized (gains) and losses on investments	(4,821)	(1,890)	1,637
Net impairment losses recognized in earnings	26,804	13,471	–
Gain on the extinguishment of debt	(34,610)	(44,546)	(1,750)
Gain on the settlement of loan	–	–	(574)
Net realized gain on investments trading	(5,052)	–	–
Changes in operating assets and liabilities:			
(Increase) decrease in restricted cash	(6,543)	10,596	4,113
(Increase) decrease in interest receivable, net of purchased interest	(701)	2,697	3,526
Decrease in accounts receivable	–	424	574
Decrease in principal paydowns receivable	616	–	–
Increase in management fee payable	25	474	221
(Decrease) increase in security deposits	(264)	(791)	353
Increase (decrease) in accounts payable and accrued liabilities	104	2,714	(962)
Increase (decrease) in accrued interest expense	181	(3,168)	(2,729)
Increase in other assets	(6,855)	(1,784)	(573)
Net cash provided by operating activities	20,534	46,622	50,950
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in restricted cash	(76,524)	(35,327)	54,976
Purchase of securities available-for-sale	(28,697)	(28,958)	–
Principal payments on securities available-for-sale	1,240	21	2,359
Proceeds from sale of securities available-for-sale	19,144	1,909	8,000
Investment in unconsolidated entity	(3,186)	(2,066)	–
Equity contribution to VIE	(7,333)	–	–
Purchase of loans	(340,355)	(243,786)	(186,759)
Principal payments received on loans	316,400	177,589	161,653
Proceeds from sale of loans	94,419	130,078	34,853
Purchase of lease receivables	(28,161)		(42,490)
Payments received on lease receivables	13,985	8,655	27,823
Proceeds from sale of lease receivables	1,579	2,125	5,034
Investment in loans – related parties	(10,000)	–	–
Payments received on loans – related parties	73	–	–
Distribution from unconsolidated entities	–	–	257
Proceeds from sale of interest in subsidiary	–	7,545	–
Net cash (used in) provided by investing activities	(47,416)	17,785	65,706

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS − (Continued)
(in thousands)

	Years Ended December 31, 2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuances of common stock (net of offering costs of $2,772, $2,964 and $0)	42,510	43,362	−
Net proceeds from dividend reinvestment and stock purchase plan (net of offering costs of $103, $0 and $22)	76,706	8,995	18
Repurchase of common stock	−	(5,040)	−
Proceeds from borrowings:			
Repurchase agreements	−	18	239
Collateralized debt obligations	−	−	35,912
Secured term facility	6,500	−	26,342
Payments on borrowings:			
Repurchase agreements	−	(17,108)	(99,319)
Secured term facility	(369)	(13,395)	(22,367)
Retirement of debt	(56,740)	−	−
Equipment-backed securities notes	(18,046)	−	−
Repurchase of issued bonds	−	(10,974)	(3,250)
Settlement of derivative instruments	−	−	(4,178)
Payment of debt issuance costs	(502)	(293)	(333)
Distributions paid on common stock	(45,680)	(32,564)	(41,166)
Net cash provided by (used in) financing activities	4,379	(26,999)	(108,102)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,503)	37,408	8,554
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	51,991	14,583	6,029
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 29,488	$ 51,991	$ 14,583
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Distributions on common stock declared but not paid	$ 14,555	$ 9,170	$ 9,942
Issuance of restricted stock	$ 338	$ 242	$ 1,435
Transfer of lease receivables	$ −	$ 89,763	$ −
Transfer of secured term facility	$ −	$ (82,319)	$ −
Assumption of equipment-backed securitized notes	$ 112,223	$ −	$ −
Acquisition of lease receivables	$ (100,305)	$ −	$ −
Settlement of a secured term facility	$ (6,131)	$ −	$ −
Settlement of debt issuance costs	$ (1,012)	$ −	$ −
Increase in bank loan investments	$ −	$ 1,148	$ −
Decrease in bank loan investments	$ −	$ (1,148)	$ −
Property received on foreclosure of a real estate loan:			
Loans, pledged as collateral	$ (4,444)	$	$ −
Property available-for-sale	$ 4,444	$	$ −
SUPPLEMENTAL DISCLOSURE:			
Interest expense paid in cash	$ 37,911	$ 48,138	$ 94,879
Income taxes paid in cash	$ −	$ −	$ 627

The accompanying notes are an integral part of these statements

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NOTE 1 − ORGANIZATION AND BASIS OF PRESENTATION

Resource Capital Corp. and subsidiaries' (collectively the "Company") principal business activity is to purchase and manage a diversified portfolio of commercial real estate-related assets and commercial finance assets. The Company's investment activities are managed by Resource Capital Manager, Inc. ("Manager") pursuant to a management agreement (the "Management Agreement"). The Manager is a wholly-owned indirect subsidiary of Resource America, Inc. ("Resource America") (NASDAQ: REXI). The following subsidiaries are consolidated on the Company's financial statements:

- RCC Real Estate, Inc. ("RCC Real Estate") holds real estate investments, including commercial real estate loans and commercial real estate-related securities. RCC Real Estate owns 100% of the equity of the following variable interest entities ("VIEs"):

  – Resource Real Estate Funding CDO 2006-1 ("RREF CDO 2006-1"), a Cayman Islands limited liability company and qualified real estate investment trust ("REIT") subsidiary ("QRS"). RREF CDO 2006-1 was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of commercial real estate loans and commercial mortgage-backed securities.

  – Resource Real Estate Funding CDO 2007-1 ("RREF CDO 2007-1"), a Cayman Islands limited liability company and QRS. RREF CDO 2007-1 was established to complete a CDO issuance secured by a portfolio of commercial real estate loans, commercial mortgage-backed securities and property available-for-sale.

- RCC Commercial, Inc. ("RCC Commercial") holds bank loan investments and commercial real estate-related securities. RCC Commercial owns 100% of the equity of the following VIEs:

  – Apidos CDO I, Ltd. ("Apidos CDO I"), a Cayman Islands limited liability company and taxable REIT subsidiary ("TRS"). Apidos CDO I was established to complete a CDO secured by a portfolio of bank loans.

  – Apidos CDO III, Ltd. ("Apidos CDO III"), a Cayman Islands limited liability company and TRS. Apidos CDO III was established to complete a CDO secured by a portfolio of bank loans.

  – Apidos Cinco CDO, Ltd. ("Apidos Cinco CDO"), a Cayman Islands limited liability company and TRS. Apidos Cinco CDO was established to complete a CDO secured by a portfolio of bank loans.

- Resource TRS, Inc. ("Resource TRS"), the Company's directly-owned TRS, holds all the Company's lease receivables and structured notes and owns 100% of the equity of the following VIE:

  – LEAF Receivables Funding 3, LLC, ("LEAF Funding 3") was established to complete a securitization of lease receivables.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company.

The Company has a 100% interest valued at $1.5 million in the common shares (three percent of the total equity) in two trusts, Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"). The Company completed a qualitative analysis to determine whether or not it is the primary beneficiary of each of the trusts. The Company does not have the power to direct the activities of either trust, nor does it have the obligation to absorb losses or recognize the benefits that could potentially be significant to these trusts. Therefore, the Company is not deemed to be the primary beneficiary of either trust and they are not consolidated into the Company's consolidated financial statements. The Company records its investments in RCT I and RCT II's common shares of $774,000 each as investments in unconsolidated trusts using the cost method and records dividend income upon declaration by RCT I and RCT II. For the years ended December 31, 2010, and 2009, the Company recognized $3.6 million and $3.0 million, respectively, of interest expense with respect to the subordinated debentures it issued to RCT I and RCT II which included $302,000 and $189,000, respectively, of amortization of deferred debt issuance costs. The Company will do a continuous reassessment as to whether it should be deemed to be the primary beneficiary of the trusts.

All inter-company transactions and balances have been eliminated.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES − (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates affecting the accompanying consolidated financial statements include the net realizable and fair values of the Company's investments and derivatives, the estimated life used to calculate amortization and accretion of premiums and discounts, respectively, on investments and provisions for loan and lease losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. At December 31, 2010 and 2009, this included $2.6 million and $5.7 million, respectively, held in a prime brokerage account, $25.6 million and $43.4 million, respectively, held in a money market account and $1.3 million and $2.9 million held in checking accounts, respectively.

Investment Securities

The Company classifies its investment portfolio as trading investments, available-for-sale or held-to-maturity. The Company, from time to time, may sell any of its investments due to changes in market conditions or in accordance with its investment strategy.

The Company's available-for-sale securities are reported at fair value. See Note 16, "Fair Value of Financial Instruments" for information regarding fair value accounting and the fair value hierarchy. To determine fair value, the Company uses two methods, either a dealer quote or an internal valuation model, depending upon when the position was purchased and the current level of market activity.

For securities purchased in 2009 and thereafter, the Company obtains a quote from a dealer, which typically will be the dealer who sold the Company the security. The Company has been advised that, in formulating their quotes, dealers may use recent trades in the particular security, if any, market activity in similar securities, if any, or internal valuation models. These quotes are non-binding. As a result of how the dealers develop their quotes, the market illiquidity and low levels of trading activity as of December 31, 2009, the Company categorized all of these investment securities available-for-sale in Level 3 in the fair value hierarchy. Due to the increased level of trading activity in 2010, the Company moved some of these securities into Level 2 in the fair value hierarchy. The Company evaluates the reasonableness of the quotes it receives by applying its own valuation models. If there is a material difference between a quote the Company receives and the value indicated by its valuation models, the Company will evaluate the difference. As part of that evaluation, the Company will discuss the difference with the dealer, who may revise their quote based upon these discussions. Alternatively, the Company may revise its valuation models.

For investment securities available-for-sale purchased prior to 2009, the Company determines fair value based on taking a weighted average of the following three measures:

- dealer quotes, as described above;
- quotes on more actively-traded, higher-rated securities issued in a similar time period, adjusted for differences in rating and seniority; and
- the value resulting from an internal valuation model using an income approach based upon an appropriate risk-adjusted yield, time value and projected losses using default assumptions based upon an historical analysis of underlying loan performance.

On a quarterly basis, the Company evaluates its available-for-sale investments for other-than-temporary impairment. An available-for-sale investment is impaired when its fair value has declined below its amortized cost basis. An impairment is considered other-than-temporary when the amortized cost basis of the investment will not be recovered over its remaining life. In addition, the Company's intent to sell as well as the likelihood that the Company will be required to sell the security before the recovery of the amortized cost basis is considered. Where credit quality is believed to be the cause of the other-than-temporary impairment, that component of the impairment is recognized as an impairment loss in the statement of operations. Where other market components are believed to be the cause of the impairment, that component of the impairment is recognized on the balance sheet as other comprehensive loss.

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NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES − (Continued)

Investment Securities – (Continued)

The Company's investment securities-trading are reported at fair value. To determine fair value, the Company uses dealer quotes or bids which are validated using an income approach utilizing appropriate prepayment, default and recovery rates. Any changes in fair value are recorded on the Company's results of operations as net unrealized gain on investment securities - trading.

Investment securities transactions are recorded on the trade date. Realized gains and losses on investment securities are determined on the specific identification method.

Investment Interest Income Recognition

Interest income on the Company's mortgage-backed and other asset-backed securities is accrued using the effective yield method based on the actual coupon rate and the outstanding principal amount of the underlying mortgages or other assets. Premiums and discounts are amortized or accreted into interest income over the lives of the securities also using the effective yield method, adjusted for the effects of estimated prepayments. For an investment purchased at par, the effective yield is the contractual interest rate on the investment. If the investment is purchased at a discount or at a premium, the effective yield is computed based on the contractual interest rate increased for the accretion of a purchase discount or decreased for the amortization of a purchase premium. The effective yield method requires the Company to make estimates of future prepayment rates for its investments that can be contractually prepaid before their contractual maturity date so that the purchase discount can be accreted, or the purchase premium can be amortized, over the estimated remaining life of the investment. The prepayment estimates that the Company uses directly impact the estimated remaining lives of its investments. Actual prepayment estimates are reviewed as of each quarter end or more frequently if the Company becomes aware of any material information that would lead it to believe that an adjustment is necessary. If prepayment estimates are incorrect, the amortization or accretion of premiums and discounts may have to be adjusted, which would have an impact on future income.

Loans

The Company acquires whole loans through direct origination, through the acquisition of participations in commercial real estate loans and corporate leveraged loans in the secondary market and through syndications of newly originated loans. Loans are held for investment; therefore, the Company initially records them at their acquisition price, and subsequently, accounts for them based on their outstanding principal plus or minus unamortized premiums or discounts. The Company may sell a loan held for investment in certain instances, where the credit fundamentals underlying a particular loan have changed in such a manner that the Company's expected return on investment may decrease. Once the determination has been made by the Company that it no longer will hold the loan for investment, the Company identifies these loans as "Loans held for sale" and will account for them at the lower of amortized cost or fair value.

Loan Interest Income Recognition

Interest income on loans includes interest at stated rates adjusted for amortization or accretion of premiums and discounts. Premiums and discounts are amortized or accreted into income using the effective yield method. If a loan with a premium or discount is prepaid, the Company immediately recognizes the unamortized portion as a decrease or increase to interest income. In addition, the Company defers loan origination fees and loan origination costs and recognizes them over the life of the related loan against interest income using the effective yield method.

Allowance for Loan and Lease Losses

The Company maintains an allowance for loan and lease losses. Loans held for investment are first individually evaluated for impairment so specific reserves can be applied. Loans for which a specific reserve is not applicable are then evaluated for impairment as a homogeneous pool of loans with substantially similar characteristics so that a general reserve can be established, if needed. The reviews are performed at least quarterly.

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NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES − (Continued)

Allowance for Loan and Lease Losses – (Continued)

The Company considers a loan to be impaired when, based on current information and events, management believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the allowance for loan losses is increased by the amount of the excess of the amortized cost basis of the loan over its fair value. Fair value may be determined based on the present value of estimated cash flows; on market price, if available; or on the fair value of the collateral less estimated disposition costs. When a loan, or a portion thereof, is considered uncollectible and pursuit of collection is not warranted, the Company will record a charge-off or write-down of the loan against the allowance for loan losses.

The Company evaluates the adequacy of the allowance for credit losses on lease receivables based upon, among other factors, management's historical experience with the lease receivables portfolios it manages, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases, a migration analysis is performed, which estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. The Company's policy is to charge-off to the allowance those financings for which management believes the collectability is unlikely.

The balance of impaired loans and leases was $164.0 million and $100.1 million at December 31, 2010 and 2009, respectively. The total balance of impaired loans and leases with a valuation allowance at December 31, 2010 and 2009 was $52.6 million and $82.2 million, respectively. The total balance of impaired loans and leases without a specific valuation allowance was $111.4 million and $17.9 million at December 31, 2010 and 2009, respectively. The specific valuation allowance related to these impaired loans and leases was $25.1 million and $31.0 million at December 31, 2010 and 2009, respectively. The average balance of impaired loans and leases was $130.2 million and $112.6 million during 2010 and 2009, respectively. The Company did not recognize any income on impaired loans and leases during 2010 and 2009 once each individual loan or lease became impaired unless cash was received.

An impaired loan or lease may remain on accrual status during the period in which the Company is pursuing repayment of the loan or lease; however, the loan or lease would be placed on non-accrual status at such time as (i) management believes that scheduled debt service payments will not be met within the coming 12 months; (ii) the loan or lease becomes 90 days delinquent; (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment; or (iv) the net realizable value of the loan's underlying collateral approximates the Company's carrying value of such loan. While on non-accrual status, the Company recognizes interest income only when an actual payment is received.

Comprehensive Gain/(Loss)

Comprehensive loss for the Company includes net income and the change in net unrealized gains/(losses) on available-for-sale securities and derivative instruments used to hedge exposure to interest rate fluctuations and protect against declines in the market value of assets resulting from general market trends.

Income Taxes

The Company operates in such a manner as to qualify as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"); therefore, applicable REIT taxable income is included in the taxable income of its shareholders, to the extent distributed by the Company. To maintain REIT status for federal income tax purposes, the Company is generally required to distribute at least 90% of its REIT taxable income to its shareholders as well as comply with certain other qualification requirements as defined under the Code. As a REIT, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

Taxable income, from non-REIT activities managed through Resource TRS, is subject to federal, state and local income taxes. Resource TRS income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and tax basis of Resource TRS' assets and liabilities.

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NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES − (Continued)

Income Taxes – (Continued)

Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CDO I 2009-1 Cayman SPV, Ltd., and Apidos CDO III Cayman 2009-1 SPV, Ltd., the Company's foreign TRSs, are organized as exempted companies incorporated with limited liability under the laws of the Cayman Islands, and are generally exempt from federal and state income tax at the corporate level because their activities in the United States are limited to trading in stock and securities for their own account. Therefore, despite their status as TRSs, they generally will not be subject to corporate tax on their earnings and no provision for income taxes is required; however, because they are "controlled foreign corporations," the Company will generally be required to include Apidos CDO I's, Apidos CDO III's and Apidos Cinco CDO's current taxable income in its calculation of REIT taxable income

Stock Based Compensation

Issuances of restricted stock and options are accounted for using the fair value based methodology whereby the fair value of the award is measured on the grant date and expensed monthly to equity compensation expense-related party on the consolidated statements of operations with a corresponding entry to additional paid-in capital. For issuances to the Company's Manager and to non-employees, the unvested stock and options are adjusted quarterly to reflect changes in fair value as performance under the agreement is completed. For issuances to the Company's five non-employee directors, the amount is not remeasured under the fair value-based method. The compensation for each of these issuances is amortized over the service period and included in equity compensation expense.

Net Income Per Share

The Company calculates basic income per share by dividing net income for the period by weighted-average shares of its common stock, including vested restricted stock and participating securities, outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options and unvested restricted stock, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

Derivative Instruments

The Company's policies permit it to enter into derivative contracts, including interest rate swaps and interest rate caps, to add stability to its interest expense and to manage its exposure to interest rate movements or other identified risks. The Company has designated these transactions as cash flow hedges. The contracts or hedge instruments are evaluated at inception and at subsequent balance sheet dates to determine if they qualify for hedge accounting which requires that the Company recognize all derivatives on the balance sheet at fair value. The Company records changes in the estimated fair value of the derivative in other comprehensive income to the extent that it is effective. Any ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Recent Accounting Standards

In January 2011, the Financial Accounting Standards Board ("FASB") issued guidance to delay the disclosures regarding troubled debt restructurings originally effective as of December 15, 2010. The guidance is now anticipated to be effective for interim and annual periods ending after June 15, 2011. The Company expects that adoption will require additional disclosures in the notes to the Company's consolidated financial statements.

In July 2010, the FASB issued guidance that required companies to provide more information about the credit quality of their financing receivables in the disclosures to financial statements including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. The guidance was effective for the Company as of December 15, 2010. Adoption required additional disclosure (see Note 9).

In February 2010, the FASB issued guidance which removed the requirement to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either a correction of error or retrospective application of accounting principles generally accepted in the United States ("GAAP"). This guidance was effective upon issuance.

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NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES − (Continued)

Recent Accounting Standards – (Continued)

In January 2010, the FASB issued guidance that required new disclosures and clarified some existing disclosure requirements about fair value measurements. The new pronouncement requires a reporting entity: (1) to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (2) to present separately information about purchases, sales, issuances and settlements in the reconciliation of fair value measurements using significant unobservable inputs. In addition, it clarified the requirements of the following existing disclosures: (1) for purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities, and (2) a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The new guidance was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements which became effective for the Company in fiscal 2011. Adoption of the guidance effective December 15, 2009 required additional disclosure to delineate such categories in the notes to the Company's consolidated financial statements (see Note 17).

In December 2009, the FASB issued new guidance for improving financial reporting for enterprises involved with VIEs regarding power to direct the activities of a VIE as well as obligations to absorb the losses. This guidance is effective for interim and annual periods beginning after November 15, 2009. Adoption of this statement did not have an impact on the Company's consolidated financial statements.

In June 2009, the FASB issued guidance for consolidation of VIEs which changes the consolidation guidance applicable to a VIE and amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE and therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. This standard also requires continuous reassessment of whether an enterprise is the primary beneficiary of a VIE as well as enhanced disclosures about an enterprise's involvement with a VIE. This guidance was effective for interim and annual periods beginning after November 15, 2009. The Company evaluated the potential impact of adopting this statement and concluded that it will continue to consolidate the VIEs that it has identified in Note 1 to the consolidated financial statements. The Company will do a continuous reassessment of its conclusion as stipulated in this statement.

In June 2009, the FASB issued guidance for accounting for transfers of financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires greater transparency of related disclosures. This statement was effective for fiscal years beginning after November 15, 2009. Adoption of this statement did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2009 and 2008 consolidated financial statements to conform to the 2010 presentation.

NOTE 3 − RESTRICTED CASH

Restricted cash as of December 31, 2010 consisted of $160.5 million held in five consolidated CDO trusts, $5.2 million held in a securitization of lease receivables and $2.5 million in cash collateralizing outstanding margin calls on the Company's cash flow hedges. Restricted cash as of December 31, 2009 consisted of $80.5 million of restricted cash in our five CDOs and $4.6 million held in a margin account, related to our swap portfolio.

NOTE 4 – INVESTMENT SECURITIES-TRADING

The following table summarizes the Company's structured notes, which are classified as investment securities-trading, which are carried at fair value (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2010:				
Structured notes	$ 7,984	$ 9,739	$ –	$ 17,723
Total	$ 7,984	$ 9,739	$ –	$ 17,723

The Company purchased 26 securities and sold 13 securities during the year ended December 31, 2010, for a gain of $5.1 million. The Company held 13 investment securities-trading as of December 31, 2010. The Company did not hold any such investment at December 31, 2009.

NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following table summarizes the Company's mortgage-backed securities ("MBS") and other asset-backed securities ("ABS"), including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

	Amortized Cost (2)	Unrealized Gains	Unrealized Losses	Fair Value (1)
December 31, 2010:				
Commercial mortgage-backed securities	$ 83,223	$ 7,292	$ (26,578)	$ 63,937
Other asset-backed	–	23	–	23
Total	$ 83,223	$ 7,315	$ (26,578)	$ 63,960
December 31, 2009:				
Commercial mortgage-backed securities	$ 92,110	$ 2,622	$ (50,214)	$ 44,518
Other asset-backed	24	–	–	24
Total	$ 92,134	$ 2,622	$ (50,214)	$ 44,542

(1) As of December 31, 2010 and 2009, $58.0 million and $39.3 million, respectively, of securities were pledged as collateral security under related financings.

(2) As of December 31, 2010 and 2009, other asset-backed securities are carried at fair value, $23,000 and $24,000, respectively, due to other-than-temporary impairment.

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NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

The following table summarizes the estimated maturities of the Company's MBS and other ABS according to their estimated weighted average life classifications (in thousands, except percentages):

Weighted Average Life	Fair Value	Amortized Cost	Weighted Average Coupon
December 31, 2010:			
Less than one year	$ 3,264(1)	$ 6,911	1.51%
Greater than one year and less than five years	29,004	46,138	3.45%
Greater than five years	31,692	30,174	5.64%
Total	$ 63,960	$ 83,223	4.08%
December 31, 2009:			
Less than one year	$ 7,503	$ 20,043	1.50%
Greater than one year and less than five years	4,346	12,728	2.24%
Greater than five years	32,693	59,363	5.76%
Total	$ 44,542	$ 92,134	4.35%

(1) All of the $3.3 million of commercial mortgage-backed securities, or CMBS, maturing in this category are collateralized by floating-rate loans and as permitted under the CMBS terms, are expected to extend their respective maturity dates until at least November 2011 as the debtors in the floating-rate structures have a contractual right to extend with options ranging from two one-year options to three one-year options. Beyond the contractual extensions, the servicer may allow further extensions of the underlying floating rate loans.

The contractual maturities of the investment securities available-for-sale range from November 2011 to February 2019.

The following table shows the fair value and gross unrealized losses, aggregated by investment category and length of time, of those individual investment securities that have been in a continuous unrealized loss position (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2010:						
Commercial mortgage-backed private placement	$ 10,134	$ (4,383)	$ 8,302	$ (22,195)	$ 18,436	$ (26,578)
Total temporarily impaired securities	$ 10,134	$ (4,383)	$ 8,302	$ (22,195)	$ 18,436	$ (26,578)
December 31, 2009:						
Commercial mortgage-backed private placement	$ 11,193	$ (1,073)	$ 14,588	$ (49,141)	$ 25,781	$ (50,214)
Total temporarily impaired securities	$ 11,193	$ (1,073)	$ 14,588	$ (49,141)	$ 25,781	$ (50,214)

The Company holds seven and 13 investment securities available-for-sale that have been in a loss position for more than 12 months as of December 31, 2010 and 2009, respectively. The unrealized losses in the above table are considered to be temporary impairments due to market factors and are not reflective of credit deterioration.

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NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

The determination of other-than-temporary impairment is a subjective process, and different judgments and assumptions could affect the timing of loss realization. The Company reviews its portfolios and makes other-than-temporary impairment determinations at least quarterly. The Company considers the following factors when determining if there is an other-than-temporary impairment on a security:

- the length of time the market value has been less than amortized cost;
- the severity of the impairment;
- the expected loss of the security as generated by third party software;
- credit ratings from the rating agencies;
- underlying credit fundamentals of the collateral backing the securities; and
- whether, based upon the Company's intent, it is more likely than not that the Company will sell the security before the recovery of the amortized cost basis.

At December 31, 2010 and 2009, the Company held $64.0 million and $44.5 million, respectively, (net of net unrealized losses of $19.3 million and $47.6 million, respectively) of CMBS recorded at fair value. To determine fair value, the Company uses two methods, either a dealer quote or an internal valuation model, depending upon when the position was purchased and the current level of market activity. As of December 31, 2010 and 2009, $53.7 million and $29.7 million, respectively, of investment securities available-for-sale were valued using dealer quotes and $10.3 million and $14.8 million, respectively, were valued as set forth in Note 2, "Summary of Significant Accounting Policies-Investment Securities."

During the year ended December 31, 2010, the Company recognized $26.6 million of other-than-temporary impairment on five positions that supported the Company's CMBS investments bringing the combined fair value of these positions to $215,000. During the year ended December 31, 2009, the Company recognized $12.6 million of other-than-temporary impairment on two positions that supported the Company's CMBS investments and one of its other-ABS investments bringing the combined fair value of these positions to $206,000. The assumed default of the underlying collateral positions in the Company's cash flow model yielded a value that would result in less than a full recovery of the Company's cost basis. The net impairment losses were recognized in earnings in the consolidated statements of operations. All of the Company's other-than-temporary impairment losses are related to credit losses. While the Company's remaining securities classified as available-for-sale have continued to decline in fair value on a net basis, the Company concluded that the decline continues to be temporary. The Company performs an on-going review of third-party reports and updated financial data on the underlying property financial information to analyze current and projected loan performance. Rating agency downgrades are considered with respect to the Company's income approach when determining other-than-temporary impairment and, when inputs are stressed, the resulting projected cash flows reflect a full recovery of principal. The Company does not believe that any other of its securities classified as available-for-sale were other-than-temporarily impaired as of December 31, 2010.

During the years ended December 31, 2010 and 2009, the Company recognized a gain of $5.0 million and $160,000, respectively, into earnings related to the sale of several CMBS private placement positions.

Changes in interest rates may also have an effect on the rate of mortgage principal prepayments and, as a result, prepayments on MBS in the Company's investment portfolio. At December 31, 2010, the aggregate discount exceeded the aggregate premium on the Company's MBS by approximately $20.9 million. At December 31, 2009, the aggregate discount exceeded the aggregate premium on the Company's MBS by approximately $29.1 million.

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NOTE 6 – INVESTMENT SECURITIES HELD-TO-MATURITY

The following table summarizes the Company's securities held-to-maturity which are carried at amortized cost (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2010:				
Securities held-to-maturity	$ 29,036	$ 752	$ (3,847)	$ 25,941
Total	$ 29,036	$ 752	$ (3,847)	$ 25,941
December 31, 2009:				
Securities held-to-maturity	$ 31,401	$ 267	$ (10,348)	$ 21,320
Total	$ 31,401	$ 267	$ (10,348)	$ 21,320

The following table summarizes the estimated maturities of the Company's securities held-to-maturity according to their contractual lives (in thousands):

Contractual Life	Fair Value	Amortized Cost	Weighted Average Coupon
December 31, 2010:			
Greater than one year and less than five years	$ 4,830	$ 5,000	6.14%
Greater than five years and less than ten years	15,073	15,891	1.97%
Greater than ten years	6,038	8,145	4.11%
Total	$ 25,941	$ 29,036	
December 31, 2009:			
Greater than five years and less than ten years	$ 15,628	$ 19,667	3.06%
Greater than ten years	5,692	11,734	4.14%
Total	$ 21,320	$ 31,401	

The following table shows the fair value and gross unrealized losses, aggregated by investment category and length of time, of those individual investment securities that have been in a continuous unrealized loss position (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2010:						
Securities held-to-maturity	$ 1,038	$ (1)	$ 11,923	$ (3,846)	$ 12,961	$ (3,847)
Total temporarily impaired securities	$ 1,038	$ (1)	$ 11,923	$ (3,846)	$ 12,961	$ (3,847)
December 31, 2009:						
Securities held-to-maturity	$ 2,530	$ (44)	$ 10,980	$ (10,304)	$ 13,510	$ (10,348)
Total temporarily impaired securities	$ 2,530	$ (44)	$ 10,980	$ (10,304)	$ 13,510	$ (10,348)

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NOTE 6 – INVESTMENT SECURITIES HELD-TO-MATURITY – (Continued)

The Company holds 12 and 14 investment securities held-to-maturity that have been in a loss position for more than 12 months as of December 31, 2010 and 2009, respectively. The unrealized losses in the above table are considered to be temporary impairments due to market factors and are not reflective of credit deterioration. The Company does not believe that any of its investments classified as held-to-maturity were other-than-temporarily impaired as of December 31, 2010.

The determination of other-than-temporary impairment is a subjective process, and different judgments and assumptions could affect the timing of loss realization. The Company reviews its portfolios and makes other-than-temporary impairment determinations at least quarterly. The Company considers the following factors when determining if there is an other-than-temporary impairment on a security:

- the severity of the impairment;
- the expected loss of the security as generated by third party software;
- original and current credit ratings from the rating agencies;
- underlying credit fundamentals of the collateral backing the securities; and
- third-party support for default, recovery, prepayment speed and reinvestment price assumptions.

During the year ended December 31, 2009, based on a credit rating downgrade and the cash flow analysis performed, a collateral position that supported the investments held-to-maturity became impaired as the Company's cash flow model yielded a value of less than full recovery of the Company's cost basis. As a result, the Company recognized an $895,000 other-than-temporary impairment on one of its investments held-to-maturity as of December 31, 2009. As a result of the impairment charges, the cost of this security was written down to fair value through net impairment losses recognized in earnings in the consolidated statements of operations.

During the years ended December 31, 2010 and 2009, based on the downgrading of the issuers' published credit rating, the Company sold $3.5 million and $6.6 million of securities held-to-maturity, respectively including the position it impaired during the year ended December 31, 2009. The Company has the intent and ability to hold its remaining securities until maturity.

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NOTE 7 – LOANS HELD FOR INVESTMENT

The following is a summary of the Company's loans (in thousands):

Loan Description	Principal	Unamortized (Discount) Premium [(1)]	Carrying Value [(2)]
December 31, 2010:			
Bank loans [(3)]	$ 887,667	$ (27,204)	$ 860,463
Commercial real estate loans:			
Whole loans	441,706	(334)	441,372
B notes	57,613	(162)	57,451
Mezzanine loans [(3)]	146,668	143	146,811
Total commercial real estate loans	645,987	(353)	645,634
Subtotal loans before allowances	1,533,654	(27,557)	1,506,097
Allowance for loan loss	(34,233)	–	(34,233)
Total	$ 1,499,421	$ (27,557)	$ 1,471,864
December 31, 2009:			
Bank loans [(3)]	$ 893,183	$ (27,931)	$ 865,252
Commercial real estate loans:			
Whole loans	484,464	(929)	483,535
B notes	81,450	6	81,456
Mezzanine loans	182,523	163	182,686
Total commercial real estate loans	748,437	(760)	747,677
Subtotal loans before allowances	1,641,620	(28,691)	1,612,929
Allowance for loan loss	(47,122)	–	(47,122)
Total	$ 1,594,498	$ (28,691)	$ 1,565,807

(1) Amounts include deferred amendment fees of $636,000 and $249,000 being amortized over the life of the bank loans and $124,000 and $681,000 being amortized over the life of the commercial real estate loans as of December 31, 2010 and 2009, respectively.

(2) Substantially all loans are pledged as collateral under various borrowings at December 31, 2010 and 2009, respectively.

(3) Amounts include $4.0 million of bank loans and $24.6 million of mezzanine loans held for sale as of December 31, 2010 and $8.1 million of bank loans held for sale as of December 31, 2009.

As of December 31, 2010 and 2009, approximately 38.0% and 39.0%, respectively, of the Company's commercial real estate loan portfolio was concentrated in commercial real estate loans located in California and 10.4% and 12.4%, respectively were concentrated in New York. As of December 31, 2010 and 2009, approximately 10.7% and 12.4%, respectively, of the Company's bank loan portfolio was concentrated in the collective industry grouping of healthcare, education and childcare.

At December 31, 2010, the Company's bank loan portfolio consisted of $857.9 million (net of allowance of $2.6 million) of floating rate loans, which bear interest ranging between the London Interbank Offered Rate ("LIBOR") plus 0.5% and LIBOR plus 9.5% with maturity dates ranging from March 2011 to December 2017.

At December 31, 2009, the Company's bank loan portfolio consisted of $847.4 million (net of allowance of $17.8 million) of floating rate loans, which bore interest ranging between LIBOR plus 0.50% and LIBOR plus 18.25% with maturity dates ranging from June 2011 to August 2022.

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NOTE 7 – LOANS HELD FOR INVESTMENT – (Continued)

The following is a summary of the weighted average life of the Company's bank loans', at amortized cost (in thousands):

	December 31, 2010	December 31, 2009
Less than one year	$ 4,245	$ 1,148
Greater than one year and less than five years	643,699	801,175
Five years or greater	212,519	62,929
	$ 860,463	$ 865,252

The following is a summary of the Company's commercial real estate loans (in thousands):

Description	Quantity	Amortized Cost	Contracted Interest Rates	Maturity Dates [4]
December 31, 2010:				
Whole loans, floating rate [1]	25	$ 441,372	LIBOR plus 1.50% to LIBOR plus 5.75%	May 2011 to January 2018
B notes, floating rate	2	26,485	LIBOR plus 2.50% to LIBOR plus 3.01%	July 2011 to October 2011
B notes, fixed rate	2	30,966	7.00% to 8.68%	July 2011 to April 2016
Mezzanine loans, floating rate	6	93,266	LIBOR plus 2.15% to LIBOR plus 3.00%	May 2011 to January 2013
Mezzanine loans, fixed rate [2]	5	53,545	8.14% to 11.00%	January 2016 to September 2016
Total [3]	40	$ 645,634		
December 31, 2009:				
Whole loans, floating rate [1]	22	$ 403,230	LIBOR plus 1.50% to LIBOR plus 4.40%	May 2010 to February 2017
Whole loans, fixed rate [1]	5	80,305	6.98% to 10.00%	May 2010 to August 2012
B notes, floating rate	2	26,479	LIBOR plus 2.50% to LIBOR plus 3.01%	July 2010 to October 2010
B notes, fixed rate	3	54,977	7.00% to 8.68%	July 2011 to July 2016
Mezzanine loans, floating rate	7	124,048	LIBOR plus 2.15% to LIBOR plus 3.45%	May 2010 to January 2013
Mezzanine loans, fixed rate	5	58,638	8.14% to 11.00%	May 2010 to September 2016
Total [3]	44	$ 747,677		

(1) Whole loans had $5.0 million and $5.6 million in unfunded loan commitments as of December 31, 2010 and 2009, respectively. These commitments are funded as the loans require additional funding and the related borrowers have satisfied the requirements to obtain this additional funding.

(2) Fixed rate mezzanine loan dates exclude a loan that matured in May 2010 and is in default and has been on non-accrual status as of December 31, 2010 and December 31, 2009, respectively.

(3) The total does not include an allowance for loan losses of $31.6 million and $29.3 million recorded as of December 31, 2010 and 2009, respectively.

(4) Maturity dates do not include possible extension options that may be available to the borrowers.

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NOTE 7 – LOANS HELD FOR INVESTMENT – (Continued)

Subsequent to December 31, 2010, the Company entered into and completed sale agreements for two commercial real estate loans. One was a loan secured by an office tower in New York City where the Company had engaged a consulting firm to market the property which sold at 75% of par, resulting in a loss of $5.1 million after writing off unamortized loan origination costs. As part of the agreement, the consulting company earned the maximum fee of $500,000. The second loan was secured by a portfolio of office complexes throughout the United States that sold at 50% of par resulting in a loss of $9.6 million of which $290,000 had been previously allocated as part of the Company's general reserve. The Company classified both loans as loans held for sale as of December 31, 2010.

During the year ended December 31, 2010, the Company accepted a bankruptcy court-approved settlement on a portfolio of condominiums that had been in default since July 2009 and after receiving a settlement pay-down of $2.3 million that brought the loan balance to $5.0 million. After a review of the projected sale proceeds, the Company determined a provision of $648,000 was needed and upon foreclosure, the Company classified the property as property available-for-sale with a fair value of $4.4 million at December 31, 2010.

The following is a summary of the weighted average life of the Company's commercial real estate loans, at amortized cost (in thousands):

Description	2011	2012	2013 and Thereafter
December 31, 2010:			
B notes	$ 40,913	$ –	$ 16,538
Mezzanine loans [(1)]	–	34,676	107,135
Whole loans	108,303	87,084	245,985
Total [(2)]	$ 149,216	$ 121,760	$ 369,658

(1) Mezzanine loans exclude one loan with an amortized cost of $5.0 million which matured in May 2010 and is in default.

(2) Weighted average life of commercial real estate loans assumes full exercise of extension options available to borrowers.

The following is a summary of the allocation of the allowance for loan loss with respect to the Company's commercial real estate and bank loans (in thousands, except percentages) by asset class:

Description	Allowance for Loan Loss	Percentage of Total Allowance
December 31, 2010:		
B notes	$ 899	2.6%
Mezzanine loans	8,553	25.0%
Whole loans	22,165	64.8%
Bank loans	2,616	7.6%
Total	$ 34,233	
December 31, 2009:		
B notes	$ 667	1.4%
Mezzanine loans	6,453	13.7%
Whole loans	22,177	47.1%
Bank loans	17,825	37.8%
Total	$ 47,122	

As of December 31, 2010, the Company had recorded an allowance for loan losses of $34.2 million consisting of a $2.6 million allowance on the Company's bank loan portfolio and a $31.6 million allowance on the Company's commercial real estate portfolio as a result of the impairment of one bank loan and eight commercial real estate loans as well as the provision of a general reserve with respect to these portfolios.

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NOTE 7 – LOANS HELD FOR INVESTMENT – (Continued)

As of December 31, 2009, the Company had recorded an allowance for loan losses of $47.1 million consisting of a $17.8 million allowance on the Company's bank loan portfolio and a $29.3 million allowance on the Company's commercial real estate portfolio as a result of the impairment of seven bank loans and three commercial real estate loans as well as the provision of a general reserve with respect to these portfolios.

NOTE 8 –LEASE RECEIVABLES

In May 2010, the Company closed a $120.0 million securitization. The securitization, LEAF Funding 3, issued equipment-backed securitized notes at a weighted average discounted price of 93.6% with a weighted average interest rate of 7.85% and a weighted average life of 1.89 years. At closing, $14.4 million of the proceeds were placed into a restricted account and were used as new leases were originated by LEAF Funding 3 together with an additional equity contribution by the Company of approximately $1.2 million. The notes can be prepaid upon reaching 15% of the original issuance amount through an auction call provision or upon reaching 10% through a standard clean-up. The transaction was structured and purchased by a third party, who then sold the securitization to the Company. The Company had $21.0 million of equity invested in LEAF Funding 3 as of December 31, 2010. The Company evaluated this transaction and determined that the securitization was a VIE and that the Company was the primary beneficiary. Therefore, the securitization has been consolidated onto the Company's consolidated financial statements. The Company will do a continuous reassessment of its conclusion, as required.

The Company has the right to require LEAF Funding to repurchase credit impaired contracts or replace such contracts with performing contracts. LEAF Funding would have to repurchase or provide substitute contracts for each credit impaired contract at an amount equal to the discounted contract balance plus any overdue payments. LEAF Fundings repurchase obligation is limited to leases with aggregate discounted contract balances of no more than 5% of the aggregate discounted contract balance of all of the contracts sold by LEAF Funding to the Company.

The Company's lease receivables had weighted average initial lease and loan terms of 53 months and 65 months as of December 31, 2010 and 2009, respectively. The interest rates on lease receivables range from 8% to 14% and from 8.0% to 15.0% as of December 31, 2010 and 2009, respectively. Investments in leases, net of unearned income, were as follows (in thousands):

	December 31,	
	2010	2009
Leases, net of unearned income	$ 75,908	$ 1,397
Operating leases	17,900	–
Notes receivable	15,874	670
Subtotal	109,682	2,067
Allowance for lease losses	(70)	(1,140)
Total	$ 109,612	$ 927

The components of net investment in leases are as follows (in thousands):

	December 31,	
	2010	2009
Total future minimum lease payments	$ 86,191	$ 1,610
Unguaranteed residual	4,393	–
Unearned income	(14,676)	(213)
Total	$ 75,908	$ 1,397

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NOTE 8 –LEASE RECEIVABLES – (Continued)

The components of net investment in operating leases are as follows (in thousands):

	December 31, 2010	December 31, 2009
Investment in operating leases	$ 21,903	$ –
Accumulated depreciation	(4,003)	–
Total	$ 17,900	$ –

The Company did not have any direct financing leases as of December 31, 2010 or 2009. Leases not meeting any of the criteria to be classified as direct financing leases are deemed to be operating leases. Under the accounting for operating leases, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over the equipment's estimated useful life, generally up to seven years. Rental income consists primarily of monthly periodic rental payments due under the terms of the leases. The Company recognizes rental income on a straight-line basis and records it as interest income in the consolidated statement of operations. The Company recognized $5.0 million and $61,000, respectively, in rental income during the years ended December 31, 2010 and 2009.

NOTE 9 –FINANCING RECEIVABLES

The disclosures in this footnote are required per new guidance issued by the FASB that requires companies to provide more information about the credit quality of their financing receivables including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators.

The following tables show the allowance for loan and lease receivable losses and recorded investments in loans and lease receivables for the years indicated (in thousands):

	Commercial Real Estate Loans	Bank Loans	Lease Receivables	Loans Receivable-Related Party	Total
December 31, 2010:					
Allowance for losses at January 1, 2010	$ 29,297	$ 17,825	$ 1,140	$ –	$ 48,262
Provision for loan loss	44,357	(1,348)	312	–	43,321
Loans charged-off	(42,037)	(13,861)	(1,432)	–	(57,330)
Recoveries	–	–	50	–	50
Allowance for losses at December 31, 2010	$ 31,617	$ 2,616	$ 70	$ –	$ 34,303
Ending balance:					
Individually evaluated for impairment	$ 28,844	$ 112	$ 4,107	$ –	$ 25,063
Collectively evaluated for impairment	$ 10,773	$ 2,504	$ 70	$ –	$ 13,347
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					
Individually evaluated for impairment	$ 42,219	$ 362	$ 10,024	$ –	$ 52,605
Collectively evaluated for impairment	$ 603,415	$ 860,101	$ 99,658	$ 9,927	$ 1,573,101
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

	Commercial Real Estate Loans	Bank Loans	Lease Receivables	Loans Receivable-Related Party	Total
December 31, 2009:					
Allowance for losses at January 1, 2009	$ 15,109	$ 28,758	$ 450	$ –	$ 44,317
Provision for loan loss	31,856	26,855	2,672	–	61,383
Loans charged-off	(17,668)	(37,788)	(1,994)	–	(57,450)
Recoveries	–	–	12	–	12
Allowance for losses at December 31, 2009	$ 29,297	$ 17,825	$ 1,140	$ –	$ 48,262
Ending balance:					
Individually evaluated for impairment	$ 18,764	$ 9,578	$ 2,617	$ –	$ 30,959
Collectively evaluated for impairment	$ 10,533	$ 23,780	$ 1,140	$ –	$ 35,453
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					
Individually evaluated for impairment	$ 66,797	$ 12,772	$ 2,617	$ –	$ 82,186
Collectively evaluated for impairment	$ 680,880	$ 852,480	$ (550)	$ –	$ 1,532,810
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –

Credit quality indicators

Bank Loans

The Company uses a risk grading matrix to assign grades to bank loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. The Company considers such things as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies, and industry dynamics.

Credit risk profiles of bank loans for the years indicated were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
As of December 31, 2010:					
Bank loans	$ 759,817	$ 43,858	$ 48,486	$ 7,940	$ 362
As of December 31, 2009:					
Bank loans	$ 680,761	$ 62,102	$ 88,320	$ 21,505	$ 12,564

All of the Company's bank loans are performing with the exception of one loan with a par amount of $362,000 which has been in default since September 2010.

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Commercial Real Estate Loans

The Company uses a risk grading matrix to assign grades to commercial real estate loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-4 with 1 representing the Company's highest rating and 4 representing its lowest rating. In addition to the underlying performance of the loan collateral, the Company considers such things as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms.

Credit risk profiles of commercial real estate loans for the years indicated were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4
As of December 31, 2010:				
Whole loans	$ 123,350	$ 16,143	$ 264,660	$ 37,219
B notes	$ 16,538	$ –	$ 40,913	$ –
Mezzanine loans	$ 32,635	$ –	$ 109,176	$ 5,000
As of December 31, 2009:				
Whole loans	$ 183,617	$ –	$ 204,743	$ 95,174
B notes	$ 81,456	$ –	$ –	$ –
Mezzanine loans	$ 117,635	$ –	$ 55,052	$ 10,000

All of the Company's commercial real estate loans are performing with the exception of one loan with a par amount of $5.0 million which has been in default since May 2010.

Lease receivables

The Company evaluates the adequacy of the allowance for credit losses in lease receivables based upon, among other factors, management's historical experience with the commercial finance portfolios it manages, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases and loans a migration analysis is performed that estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. The Company fully reserves, net of recoveries, all leases and loans after they are 180 days past due.

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Loan and Lease Receivable Portfolios Aging Analysis

The following table shows the loan and lease receivable portfolio aging analysis for the years indicated at cost basis (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
December 31, 2010:							
Whole loans	$ –	$ –	$ –	$ –	$ 441,372	$ 441,372	$ –
B notes	–	–	–	–	57,451	57,451	–
Mezzanine loans	–	–	5,000	5,000	141,811	146,811	–
Bank loans	–	–	–	–	860,463	860,463	–
Lease receivables	630	237	829	1,696	107,986	109,682	–
Loans receivable-related party	–	–	–	–	9,927	9,927	–
Total loans	$ 630	$ 237	$ 5,829	$ 6,696	$ 1,619,010	$ 1,625,706	$ –
December 31, 2009:							
Whole loans	$ –	$ –	$ 7,378	$ 7,378	$ 476,157	$ 483,535	$ –
B notes	–	–	–	–	81,456	81,456	–
Mezzanine loans	–	–	–	–	182,686	182,686	–
Bank loans	–	–	–	–	865,252	865,252	–
Lease receivables	–	–	1,815	1,815	252	2,067	–
Loans receivable-related party	–	–	–	–	–	–	–
Total loans	$ –	$ –	$ 9,193	$ 9,193	$ 1,605,803	$ 1,614,996	$ –

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Impaired Loans and Lease Receivables

The following table show impaired loans and lease receivables for the years indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2010:					
Loans and lease receivables without a specific valuation allowance:					
Whole loans	$ 111,401(1)	$ 111,401	$ –	$ 58,058	$ 1,133
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ –	$ –	$ –	$ –	$ –
Bank loans	$ –	$ –	$ –	$ –	$ –
Lease receivables	$ –	$ –	$ –	$ –	$ –
Loans and lease receivables with a specific valuation allowance:					
Whole loans	$ 37,219	$ 37,219	$ (15,844)	$ 36,740	$ 993
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ 5,000	$ 5,000	$ (5,000)	$ 5,000	$ –
Bank loans	$ 362	$ 362	$ (112)	$ 8,971	$ –
Lease receivables	$ 10,024	$ 10,024	$ (4,107)	$ 4,791	$ –
Total:					
Whole loans	$ 148,620	$ 148,620	$ (15,844)	$ 94,798	$ 2,126
B notes	–	–	–	–	–
Mezzanine loans	5,000	5,000	(5,000)	5,000	–
Bank loans	362	362	(112)	8,971	–
Lease receivables	10,024	10,024	(4,107)	4,791	–
	$ 164,006	$ 164,006	$ (25,063)	$ 113,560	$ 2,126
December 31, 2009:					
Loans and lease receivables without a specific valuation allowance:					
Whole loans	$ 7,378(1)	$ 7,378	$ –	$ 7,378	$ –
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ 10,517(1)	$ 10,517	$ –	$ 10,517	$ –
Bank loans	$ –	$ –	$ –	$ –	$ –
Lease receivables	$ –	$ –	$ –	$ –	$ –
Loans and lease receivables with a specific valuation allowance:					
Whole loans	$ 66,797	$ 66,797	$ (18,764)	$ 79,804	$ 2,307
B notes	$ –	$ –	$ –	$ –	$ –
Mezzanine loans	$ –	$ –	$ –	$ –	$ –
Bank loans	$ 12,772	$ 12,772	$ (9,578)	$ 1,693	$ –
Lease receivables	$ 2,617	$ 2,617	$ (2,617)	$ –	$ –
Total:					
Whole loans	$ 74,175	$ 74,175	$ (18,764)	$ 87,182	$ 2,307
B notes	–	–	–	–	–
Mezzanine loans	10,517	10,517	–	10,517	–
Bank loans	12,772	12,772	(9,578)	1,693	–
Lease receivables	2,617	2,617	(2,617)	–	–
	$ 100,081	$ 100,081	$ (30,959)	$ 99,392	$ 2,307

(1) Specific allowances were not taken on whole loans of $111.4 million at par value as of December 31, 2010 and whole loans of $7.4 million and mezzanine loans of $10.5 million at par value as of December 31, 2009 that were evaluated for and deemed to be troubled debt restructurings, or TDRs. These TDRs do not have an associated specific loan loss allowance because the principal and interest amount is considered recoverable based on expected collateral performance and / or guarantees made by the borrowers.

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NOTE 10 – BORROWINGS

The Company historically has financed the acquisition of its investments, including investment securities, loans and lease receivables, primarily through the use of secured and unsecured borrowings in the form of CDOs, securitized notes, repurchase agreements, secured term facilities, warehouse facilities, trust preferred securities issuances and other secured and unsecured borrowings. Certain information with respect to the Company's borrowings at December 31, 2010 and 2009 is summarized in the following table (in thousands, except percentages):

	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
December 31, 2010:				
RREF CDO 2006-1 Senior Notes (1)	$ 173,053	1.33%	35.6 years	$ 215,063
RREF CDO 2007-1 Senior Notes (2)	325,025	0.82%	35.8 years	367,792
Apidos CDO I Senior Notes (3)	319,748	0.87%	6.6 years	309,746
Apidos CDO III Senior Notes (4)	260,682	0.75%	9.5 years	250,309
Apidos Cinco CDO Senior Notes (5)	319,373	0.79%	9.4 years	319,563
Equipment Contract Backed Notes, Series 2010-2 (6)	95,016	5.00%	5.4 years	109,612
Unsecured Junior Subordinated Debentures (7)	50,354	6.24%	25.7 years	–
Total	$ 1,543,251	1.30%	17.6 years	$ 1,572,085
December 31, 2009:				
RREF CDO 2006-1 Senior Notes (1)	$ 240,227	1.11%	36.6 years	$ 267,153
RREF CDO 2007-1 Senior Notes (2)	346,673	0.81%	36.8 years	435,225
Apidos CDO I Senior Notes (3)	319,103	0.86%	7.6 years	290,578
Apidos CDO III Senior Notes (4)	260,158	0.71%	10.5 years	237,499
Apidos Cinco CDO Senior Notes (5)	318,791	0.78%	10.4 years	299,874
Unsecured Junior Subordinated Debentures (7)	50,052	6.18%	26.7 years	–
Repurchase agreements (8)	(130)			–
Total	$ 1,534,874	1.02%	20.4 years	$ 1,530,329

(1) Amount represents principal outstanding of $174.9 million and $243.5 million less unamortized issuance costs of $1.8 million and $3.3 million as of December 31, 2010 and 2009, respectively. This CDO transaction closed in August 2006.

(2) Amount represents principal outstanding of $328.5 million and $351.2 million less unamortized issuance costs of $3.5 million and $4.6 million as of December 31, 2010 and 2009, respectively. This CDO transaction closed in June 2007.

(3) Amount represents principal outstanding of $321.5 million less unamortized issuance costs of $1.8 million as of December 31, 2010 and $2.4 million as of December 31, 2009. This CDO transaction closed in August 2005.

(4) Amount represents principal outstanding of $262.5 million less unamortized issuance costs of $1.8 million as of December 31, 2010 and $2.3 million as of December 31, 2009. This CDO transaction closed in May 2006.

(5) Amount represents principal outstanding of $322.0 million less unamortized issuance costs of $2.6 million as of December 31, 2010 and $3.3 million as of December 31, 2009. This CDO transaction closed in May 2007.

(6) Amount represents principal outstanding of $96.1 million less unamortized issuance costs of $1.1 million as of December 31, 2010. This transaction closed in May 2010.

(7) Amount represents junior subordinated debentures issued to RCT I and RCT II in May 2006 and September 2006, respectively.

(8) Amount represents unamortized deferred debt costs related to a commercial real estate repurchase facility as of December 31, 2009. The facility matured in April 2010 and had no outstanding borrowings as of December 31, 2009.

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NOTE 10 – BORROWINGS − (Continued)

Collateralized Debt Obligations

Resource Real Estate Funding CDO 2007-1

In June 2007, the Company closed RREF CDO 2007-1, a $500.0 million CDO transaction that provides financing for commercial real estate loans and commercial mortgage-backed securities. The investments held by RREF CDO 2007-1 collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. RREF CDO 2007-1 issued a total of $265.6 million of senior notes at par to unrelated investors. RCC Real Estate purchased 100% of the class H senior notes (rated BBB+:Fitch), class K senior notes (rated BBB-:Fitch), class L senior notes (rated BB:Fitch) and class M senior notes (rated B: Fitch) for $68.0 million. In addition, Resource Real Estate Funding 2007-1 CDO Investor, LLC, a subsidiary of RCC Real Estate, purchased a $41.3 million equity interest representing 100% of the outstanding preference shares. The senior notes purchased by RCC Real Estate are subordinated in right of payment to all other senior notes issued by RREF CDO 2007-1 but are senior in right of payment to the preference shares. The equity interest is subordinated in right of payment to all other securities issued by RREF CDO 2007-1.

The senior notes issued to investors by RREF CDO 2007-1 consist of the following classes: (i) $180.0 million of class A-1 notes bearing interest at one-month LIBOR plus 0.28%; (ii) $50.0 million of unissued class A-1R notes, which allow the CDO to fund future funding obligations under the existing whole loan participations that have future funding commitments; the undrawn balance of the class A-1R notes will accrue a commitment fee at a rate per annum equal to 0.18%, the drawn balance will bear interest at one-month LIBOR plus 0.32%; (iii) $57.5 million of class A-2 notes bearing interest at one-month LIBOR plus 0.46%; (iv) $22.5 million of class B notes bearing interest at one-month LIBOR plus 0.80%; (v) $7.0 million of class C notes bearing interest at a fixed rate of 6.423%; (vi) $26.8 million of class D notes bearing interest at one-month LIBOR plus 0.95%; (vii) $11.9 million of class E notes bearing interest at one-month LIBOR plus 1.15%; (viii) $11.9 million of class F notes bearing interest at one-month LIBOR plus 1.30%; (ix) $11.3 million of class G notes bearing interest at one-month LIBOR plus 1.55%; (x) $11.3 million of class H notes bearing interest at one-month LIBOR plus 2.30%; (xi) $11.3 million of class J notes bearing interest at one-month LIBOR plus 2.95%; (xii) $10.0 million of class K notes bearing interest at one-month LIBOR plus 3.25%; (xiii) $18.8 million of class L notes bearing interest at a fixed rate of 7.50% and (xiv) $28.8 million of class M notes bearing interest at a fixed rate of 8.50%. All of the notes issued mature in September 2046, although the Company has the right to call the notes anytime after July 2017 until maturity. The weighted average interest rate on all notes issued to outside investors and net of repurchased notes was 0.82% and 0.81% at December 31, 2010 and 2009, respectively.

During the year ended December 31, 2010, the Company repurchased $250,000 of the Class J notes, $7.5 million of Class B notes and $15.0 million of the Class A-2 notes in RREF CDO 2007-1 at a weighted average price of 55.81% to par which resulted in a $10.1 million gain, reported as a part of the gain on the extinguishment of debt in the consolidated statements of operations. During the year ended December 31, 2009, the Company repurchased $2.5 million of Class J notes, $11.9 million of Class E note, $11.9 million of Class F notes and $7.2 million of Class G notes in RREF CDO 2007-1 at a weighted average price of 25.66% to par which resulted in a $24.9 million gain, reported as a gain on the extinguishment of debt in the consolidated statements of operations.

As a result of the Company's ownership of senior notes, both the notes repurchased subsequent to closing and those retained at the CDO's closing eliminate in consolidation.

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NOTE 10 – BORROWINGS − (Continued)

Resource Real Estate Funding CDO 2006-1

In August 2006, the Company closed RREF CDO 2006-1, a $345.0 million CDO transaction that provides financing for commercial real estate loans. The investments held by RREF CDO 2006-1 collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. RREF CDO 2006-1 issued a total of $308.7 million of senior notes at par to investors of which RCC Real Estate purchased 100% of the class J senior notes (rated BB: Fitch) and class K senior notes (rated B:Fitch) for $43.1 million. In addition, Resource Real Estate Funding 2006-1 CDO Investor, LLC, a subsidiary of RCC Real Estate, purchased a $36.3 million equity interest representing 100% of the outstanding preference shares. The senior notes purchased by RCC Real Estate are subordinated in right of payment to all other senior notes issued by RREF CDO 2006-1 but are senior in right of payment to the preference shares. The equity interest is subordinated in right of payment to all other securities issued by RREF CDO 2006-1.

The senior notes issued to investors by RREF CDO 2006-1 consist of the following classes: (i) $129.4 million of class A-1 notes bearing interest at one-month LIBOR plus 0.32%; (ii) $17.4 million of class A-2 notes bearing interest at one-month LIBOR plus 0.35%; (iii) $5.0 million of class A-2 notes bearing interest at a fixed rate of 5.842%; (iv) $6.9 million of class B notes bearing interest at one-month LIBOR plus 0.40%; (v) $20.7 million of class C notes bearing interest at one-month LIBOR plus 0.62%; (vi) $15.5 million of class D notes bearing interest at one-month LIBOR plus 0.80%; (vii) $20.7 million of class E notes bearing interest at one-month LIBOR plus 1.30%; (viii) $19.8 million of class F notes bearing interest at one-month LIBOR plus 1.60%; (ix) $17.3 million of class G notes bearing interest at one-month LIBOR plus 1.90%; (x) $12.9 million of class H notes bearing interest at one-month LIBOR plus 3.75%, (xi) $14.7 million of Class J notes bearing interest at a fixed rate of 6.00% and (xii) $28.4 million of Class K notes bearing interest at a fixed rate of 6.00%. As a result of the Company's ownership of the Class J and K senior notes, these notes eliminate in consolidation. All of the notes issued mature in August 2046, although the Company has the right to call the notes anytime after August 2016 until maturity. The weighted average interest rate on all notes issued to outside investors and net of repurchased notes was 1.33% and 1.11% at December 31, 2010 and 2009, respectively.

During the year ended December 31, 2010, the Company repurchased $40.0 million of the Class A-1 notes, $12.0 million of Class A-2 notes, $6.9 million of Class B notes, $7.7 million of Class C notes and $2.0 million of the Class D notes in RREF CDO 2006-1 at a weighted average price of 64.2% to par which resulted in a $24.5 million gain reported as a gain on the extinguishment of debt in the consolidated statements of operations. During the year ended December 31, 2009, the Company repurchased $11.5 million of Class F notes, $3.5 million of Class D notes and $7.0 million of Class E notes in RREF CDO 2006-1 at a weighted average price of 10.80% to par which resulted in a $19.6 million gain reported as a gain on the extinguishment of debt in its consolidated statements of operations.

As a result of the Company's ownership of senior notes, both the notes repurchased subsequent to closing and those retained at the CDO's closing eliminate in consolidation.

Secured Term Facility

In April 2010, the Company entered into a loan and security agreement with The Bancorp Bank to finance the purchase of lease receivables. The maximum amount of the Company's borrowing under this agreement was $6.5 million. Borrowings under this agreement bore interest at six percent (6%) per annum. The facility was repaid in full and was terminated on May 27, 2010. There were no such borrowings as of December 31, 2009.

Equipment Contract Backed Notes, Series 2010-2

In May 2010, the Company acquired Equipment Contract Backed Notes, Series 2010-2, issued by LEAF Funding 3, a $120.0 million transaction that provided financing for leases. The investments held by LEAF Funding 3 collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. LEAF Funding 3 issued a total of $120.0 million of senior notes at a weighted average price of $93.52 to unrelated investors generating proceeds of $112.2 million. The Company will amortize the discount at issuance over the lives of the notes using the effective yield method, adjusted for the effects of estimated prepayments on the notes. The Company had $21.0 million of equity invested in LEAF Funding 3 as of December 31, 2010.

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NOTE 10 – BORROWINGS − (Continued)

Collateralized Debt Obligations – (Continued)

Equipment Contract Backed Notes, Series 2010-2 – (Continued)

The equipment contract backed notes issued to investors by LEAF Funding 3 consist of the following classes: (i) $95.5 million of class A notes; (ii) $7.0 million of class B notes; (iii) $6.4 million of class C notes; (iv) $6.4 million of class D notes; and (v) $4.7 million of class E notes. All of the notes issued bear a fixed rate of interest of 5.0%. The class A notes mature in May 2016 and the class B through E notes mature in December 2017.

Apidos Cinco CDO

In May 2007, the Company closed Apidos Cinco CDO, a $350.0 million CDO transaction that provides financing for bank loans. The investments held by Apidos Cinco CDO collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. Apidos Cinco CDO issued a total of $322.0 million of senior notes at par to investors and RCC commercial purchased a $28.0 million equity interest representing 100% of the outstanding preference shares. The equity interest is subordinated in right of payment to all other securities issued by Apidos Cinco CDO.

The senior notes issued to investors by Apidos Cinco CDO consist of the following classes: (i) $37.5 million of class A-1 notes bearing interest at LIBOR plus 0.24%; (ii) $200.0 million of class A-2a notes bearing interest at LIBOR plus 0.23%; (iii) $22.5 million of class A-2b notes bearing interest at LIBOR plus 0.32%; (iv) $19.0 million of class A-3 notes bearing interest at LIBOR plus 0.42%; (v) $18.0 million of class B notes bearing interest at LIBOR plus 0.80%; (vi) $14.0 million of class C notes bearing interest at LIBOR plus 2.25% and (vii) $11.0 million of class D notes bearing interest at LIBOR plus 4.25%. All of the notes issued mature on May 14, 2020, although the Company has the right to call the notes anytime after May 14, 2011 until maturity. The weighted average interest rate on all notes was 0.79% and 0.78% at December 31, 2010 and 2009, respectively.

Apidos CDO III

In May 2006, the Company closed Apidos CDO III, a $285.5 million CDO transaction that provides financing for bank loans. The investments held by Apidos CDO III collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. Apidos CDO III issued a total of $262.5 million of senior notes at par to investors and RCC Commercial purchased a $23.0 million equity interest representing 100% of the outstanding preference shares. The equity interest is subordinated in right of payment to all other securities issued by Apidos CDO III.

The senior notes issued to investors by Apidos CDO III consist of the following classes: (i) $212.0 million of class A-1 notes bearing interest at 3-month LIBOR plus 0.26%; (ii) $19.0 million of class A-2 notes bearing interest at 3-month LIBOR plus 0.45%; (iii) $15.0 million of class B notes bearing interest at 3-month LIBOR plus 0.75%; (iv) $10.5 million of class C notes bearing interest at 3-month LIBOR plus 1.75%; and (v) $6.0 million of class D notes bearing interest at 3-month LIBOR plus 4.25%. All of the notes issued mature on June 12, 2020, although the Company has the right to call the notes anytime after June 12, 2011 until maturity. The weighted average interest rate on all notes was 0.75% and 0.71% at December 31, 2010 and 2009, respectively.

Apidos CDO I

In August 2005, the Company closed Apidos CDO I, a $350.0 million CDO transaction that provides financing for bank loans. The investments held by Apidos CDO I collateralize the debt it issued and, as a result, the investments are not available to the Company, its creditors or stockholders. Apidos CDO I issued a total of $321.5 million of senior notes at par to investors and RCC Commercial purchased a $28.5 million equity interest representing 100% of the outstanding preference shares. The equity interest is subordinated in right of payment to all other securities issued by Apidos CDO I.

The senior notes issued to investors by Apidos CDO I consist of the following classes: (i) $265.0 million of class A-1 notes bearing interest at 3-month LIBOR plus 0.26%; (ii) $15.0 million of class A-2 notes bearing interest at 3-month LIBOR plus 0.42%; (iii) $20.5 million of class B notes bearing interest at 3-month LIBOR plus 0.75%; (iv) $13.0 million of class C notes bearing interest at 3-month LIBOR plus 1.85%; and (v) $8.0 million of class D notes bearing interest at a fixed rate of 9.251%. All of the notes issued mature on July 27, 2017, although the Company has the right to call the notes anytime after July 27, 2010 until maturity. The weighted average interest rate on all notes was 0.87% and 0.86% at December 31, 2010 and 2009, respectively.

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NOTE 10 – BORROWINGS − (Continued)

Unsecured Junior Subordinated Debentures

In May 2006 and September 2006, the Company formed RCT I and RCT II, respectively, for the sole purpose of issuing and selling capital securities representing preferred beneficial interests. Although the Company owns 100% of the common securities of RCT I and RCT II, RCT I and RCT II are not consolidated into the Company's consolidated financial statements because the Company is not deemed to be the primary beneficiary of these entities. In connection with the issuance and sale of the capital securities, the Company issued junior subordinated debentures to RCT I and RCT II of $25.8 million each, representing the Company's maximum exposure to loss. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II are included in borrowings and are being amortized into interest expense in the consolidated statements of operations using the effective yield method over a ten year period.

In October 2009, the Company amended the trust agreements and unsecured junior subordinated debentures held by RCT I and RCT II with a total value outstanding of $51.5 million. The amendment provides for an interest rate increase of 2% (from LIBOR plus 3.95% to LIBOR plus 5.95%) on both issuances for a period of two years and a one-time restructuring fee of $250,000 in exchange for the waiver of financial covenants under the Company's guarantee. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2010 were $590,000 and $604,000, respectively. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2009 were $742,000 and $754,000, respectively. The interest rate adjustment took effect as of October 1, 2009 and expires on September 30, 2011. The rates for RCT I and RCT II, at December 31, 2010, were 6.25% and 6.24%, respectively. The rates for RCT I and RCT II, at December 31, 2009, were 6.18% and 6.19%, respectively. The covenant waiver expires on January 1, 2012.

The rights of holders of common securities of RCT I and RCT II are subordinate to the rights of the holders of capital securities only in the event of a default; otherwise, the common securities' economic and voting rights are pari passu with the capital securities. The capital and common securities of RCT I and RCT II are subject to mandatory redemption upon the maturity or call of the junior subordinated debentures held by each. Unless earlier dissolved, RCT I will dissolve on May 25, 2041 and RCT II will dissolve on September 29, 2041. The junior subordinated debentures are the sole assets of RCT I and RCT II and mature on June 30, 2036 and October 30, 2036, respectively, and may be called at par by the Company any time after June 30, 2011 and October 30, 2011, respectively. The Company records its investments in RCT I and RCT II's common securities of $774,000 each as investments in unconsolidated trusts and records dividend income upon declaration by RCT I and RCT II.

NOTE 11 – SHARE ISSUANCE AND REPURCHASE

On May 25, 2010, the Company sold 8,625,000 shares of common stock, including 1,125,000 shares exercised through the underwriters' over-allotment option, at a price of $5.25 per share. The Company received net proceeds of approximately $42.8 million after payment of underwriting discounts and commissions of approximately $2.5 million and other offering expenses of approximately $197,000.

Under a dividend reinvestment plan authorized by the board of directors on November 18, 2010, the Company is authorized to issue up to 8.0 million shares of common stock. Under this plan which succeeded the March 2010 plan, the Company has issued 1,392,037 shares, at a weighted-average share price of $7.38 per share, and received proceeds of $10.0 million (net of costs) all during December 2010.

Under a dividend reinvestment plan authorized by the board of directors on March 22, 2010, the Company is authorized to issue up to 8.0 million shares of common stock. Under this plan, which succeeded the June 2008 plan, the Company has issued 7,903,562 shares, at a weighted-average share price of $6.33 per share, and received proceeds of $48.8 million (net of costs) from April 2010 through November 2010.

Under a dividend reinvestment plan authorized by the board of directors on June 12, 2008, the Company was authorized to issue up to 5.5 million shares of common stock. Under this plan, the Company had issued 3.1 million shares of common stock during the three months ended March 31, 2010 at a weighted-average share price of $5.91 per share and received proceeds of $18.0 million (net of costs). The Company had issued 5.0 million shares of common stock under this plan.

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NOTE 11 – SHARE ISSUANCE AND REPURCHASE – (Continued)

Under a share repurchase plan authorized by the board of directors on July 26, 2007, the Company is authorized to repurchase up to 2.5 million of its outstanding common shares. No shares were repurchased during the year ended December 31, 2010. The Company has repurchased a total of 1,663,000 shares under this program as of December 31, 2010.

NOTE 12 – SHARE-BASED COMPENSATION

The following table summarizes restricted common stock transactions:

	Non-Employee Directors	Non-Employees	Total
Unvested shares as of January 1, 2010	52,632	384,687	437,319
Issued	16,939	320,800	337,739
Vested	(52,632)	(187,469)	(240,101)
Forfeited	–	–	–
Unvested shares as of December 31, 2010	16,939	518,018	534,957

The Company is required to value any unvested shares of restricted common stock granted to non-employees at the current market price. The estimated fair value of the unvested shares of restricted stock granted during the years ended December 31, 2010 and 2009, including shares issued to the five non-employee directors, was $1.8 million and $709,000, respectively.

On April 12, 2010, the Company issued 4,895 shares of restricted common stock under its 2005 Stock Incentive Plan. These restricted shares will vest 33.3% on each of April 12, 2011, 2012 and 2013.

On February 10, 2010, the Company issued 142,501 shares of restricted common stock under its 2005 Stock Incentive Plan and 2007 Omnibus Equity Compensation Plan. These restricted shares will vest 33.3% on each of February 10, 2011, 2012 and 2013.

On February 1, 2010 and March 8, 2010, the Company granted 4,083 and 12,856 shares of restricted stock, respectively, under its 2005 Stock Incentive Plan and 2007 Omnibus Equity Compensation Plan, respectively, to the Company's non-employee directors as part of their annual compensation. These shares vest in full on the first anniversary of the date of grant.

On January 14, 2010, the Company issued 173,404 shares of restricted common stock under its 2007 Omnibus Equity Compensation Plan. These restricted shares will vest 33.3% on each of January 22, 2011, 2012 and 2013.

The following table summarizes stock option transactions:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 1, 2010	607,666	$ 14.99		
Granted	–	–		
Exercised	–	–		
Forfeited	(5,000)	15.00		
Outstanding as of December 31, 2010	602,666	$ 14.99	5	$ 564
Exercisable at December 31, 2010	602,666	$ 14.99	5	$ 564

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NOTE 12 – SHARE-BASED COMPENSATION – (Continued)

The stock options have a remaining contractual term of five years. Upon exercise of options, new shares are issued.

The following table summarizes the status of the Company's unvested stock options as of December 31, 2010:

Unvested Options	Options	Weighted Average Grant Date Fair Value
Unvested at January 1, 2010	21,666	$ 14.88
Granted	–	$ –
Vested	(21,666)	$ 14.88
Forfeited	–	$ –
Unvested at December 31, 2010	–	$ –

The following table summarizes the status of the Company's vested stock options as of December 31, 2010:

Vested Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested as of January 1, 2010	586,000	$ 14.99		
Granted	21,666	$ 14.88		
Exercised	–	$ –		
Forfeited	(5,000)	$ 15.00		
Vested as of December 31, 2010	602,666	$ 14.99	5	$ 564

The stock option transactions are valued using the Black-Scholes model with the following assumptions:

	As of December 31,		
	2010	2009	2008
Expected life	5 years	7 years	8 years
Discount rate	1.09%	3.53%	2.94%
Volatility	80.70%	137.86%	127.20%
Dividend yield	15.75%	20.33%	33.94%

The estimated fair value of each option granted at December 31, 2010 and 2009 was $0.936 and $0.897, respectively. For the years ended December 31, 2010, 2009 and 2008, the components of equity compensation expense were as follows (in thousands):

	December 31,		
	2010	2009	2008
Options granted to Manager and non-employees	$ 11	$ 15	$ (52)
Restricted shares granted to Manager and non-employees	2,098	1,113	486
Restricted shares granted to non-employee directors	112	112	106
Total equity compensation expense	$ 2,221	$ 1,240	$ 540

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NOTE 12 – SHARE-BASED COMPENSATION – (Continued)

During the years ended December 31, 2010 and 2009, the Manager received 251,993 and 169,431 shares, respectively, as incentive compensation valued at $1.4 million and $867,000, respectively, pursuant to the Management Agreement. The incentive management fee is paid one quarter in arrears.

Apart from incentive compensation payable under the Management Agreement, the Company has established no formal criteria for equity awards as of December 31, 2010. All awards are discretionary in nature and subject to approval by the compensation committee.

NOTE 13 –EARNINGS PER SHARE

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

	December 31,		
	2010	2009	2008
Basic:			
Net Income (loss)	$ 19,447	$ 6,339	$ (3,074)
Weighted average number of shares outstanding	47,715,082	25,205,403	24,757,386
Basic net income (loss) per share	$ 0.41	$ 0.25	$ (0.12)
Diluted:			
Net Income (loss)	$ 19,447	$ 6,339	$ (3,074)
Weighted average number of shares outstanding	47,715,082	25,205,403	24,757,386
Additional shares due to assumed conversion of dilutive instruments	192,199	150,418	–
Adjusted weighted-average number of common shares outstanding	47,907,281	25,355,821	24,757,386
Diluted net income (loss) per share	$ 0.41	$ 0.25	$ (0.12)

Potentially dilutive shares relating to 253,975 shares of restricted stock are not included in the calculation of diluted net (loss) per share for the year ended December 31, 2008 because the effect was anti-dilutive.

NOTE 14 – THE MANAGEMENT AGREEMENT

On March 8, 2005, the Company entered into a Management Agreement pursuant to which the Manager provides the Company investment management, administrative and related services. The agreement was amended June 30, 2008 and further amended on October 16, 2009. Under the agreement, the Manager receives fees and is reimbursed for its expenses as follows:

- A monthly base management fee equal to 1/12th of the amount of the Company's equity multiplied by 1.50%. Under the management agreement, "equity" is equal to the net proceeds from any issuance of shares of common stock less offering related costs, plus or minus the Company's retained earnings (excluding non-cash equity compensation incurred in current or prior periods) less any amounts the Company has paid for common stock repurchases. The calculation is adjusted for one-time events due to changes in GAAP, as well as other non-cash charges, upon approval of the independent directors of the Company.

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NOTE 14 – THE MANAGEMENT AGREEMENT – (Continued)

- Incentive compensation is calculated as follows: (i) twenty-five percent (25%) of the dollar amount by which (A) the Company's adjusted operating earnings (before incentive compensation but after the base management fee) for such quarter per common share (based on the weighted average number of common shares outstanding for such quarter) exceeds (B) an amount equal to (1) the weighted average of the price per share of the common shares in the initial offering by the Company and the prices per share of the Common Shares in any subsequent offerings by the Company, in each case at the time of issuance thereof, multiplied by (2) the greater of (a) 2.00% and (b) 0.50% plus one-fourth of the Ten Year Treasury Rate for such quarter, multiplied by (ii) the weighted average number of common shares outstanding during such quarter, subject to adjustment, to exclude events pursuant to changes in GAAP or the application of GAAP, as well as non-recurring or unusual transactions or events, after discussion between the Manager and the Independent Directors and approval by a majority of the independent directors in the case of non-recurring or unusual transactions or events. On August 17, 2010, the Company entered into an amendment (the "Amendment") to its Amended and Restated Management Agreement dated as of June 30, 2008, by and among the Company, the Manager and Resource America. Pursuant to the Amendment, fees paid by a taxable REIT subsidiary of the Company to employees, agents or affiliates of the Manager with respect to profits of such taxable REIT subsidiary (or any subsidiary thereof) will be deducted from the Company's quarterly calculation of incentive compensation payable to the Manager. Additionally, any income taxes payable by a taxable REIT subsidiary of the Company will be excluded from the Company's calculation of operating earnings.

- Reimbursement of out-of-pocket expenses and certain other costs incurred by the Manager that relate directly to the Company and its operations.

- The Manager provides the Company with a Chief Financial Officer and three accounting professionals, each of whom is exclusively dedicated to the Company's operations. The Manager also provides the Company with a director of investor relations who is 50% dedicated to the Company's operations. The Company bears the expense of the wages, salaries and benefits of the Chief Financial Officer and three accounting professionals, and bears 50% of the salary and benefits of the director of investor relations. In addition, the Company began reimbursing its Chairman for wages, salary and benefits in February 2010.

Incentive compensation is paid quarterly. Up to 75% of the incentive compensation is paid in cash and at least 25% is paid in the form of an award of common stock. The Manager may elect to receive more than 25% of its incentive compensation in common stock. All shares are fully vested upon issuance. However, the Manager may not sell such shares for one year after the incentive compensation becomes due and payable. Shares payable as incentive compensation are valued as follows:

- if such shares are traded on a securities exchange, at the average of the closing prices of the shares on such exchange over the thirty day period ending three days prior to the issuance of such shares;

- if such shares are actively traded over-the-counter, at the average of the closing bid or sales price as applicable over the thirty day period ending three days prior to the issuance of such shares; and

- if there is no active market for such shares, the value is the fair market value thereof, as reasonably determined in good faith by the board of directors of the Company.

As amended, the Management Agreement had an initial term ended March 31, 2009 and automatically renewed for a one-year term annually unless at least two-thirds of the independent directors or a majority of the outstanding common shares agreed not to renew the Management Agreement. The current term of the Management Agreement ends on March 31, 2011. With a two-thirds vote of the independent directors, the independent directors may elect to terminate the Management Agreement because of the following:

- unsatisfactory performance; and/or

- unfair compensation payable to the Manager where fair compensation cannot be agreed upon by the Company (pursuant to a vote of two-thirds of the independent directors) and the Manager.

In the event that the Management Agreement is terminated based on the above provisions, the Company must pay the Manager a termination fee equal to four times the sum of the average annual base management fee and the average annual incentive during the two 12-month periods immediately preceding the date of such termination. The Company is also entitled to terminate the Management Agreement for cause (as defined therein) without payment of any termination fee.

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NOTE 14 – THE MANAGEMENT AGREEMENT – (Continued)

In conjunction with the December 2009 common stock offering, it was determined that for the quarters ending on December 31, 2009 and March 31, 2010, the total incentive management fee payable to the Manager pursuant to the Amended and Restated Management Agreement dated as of June 30, 2008, shall not exceed $1.5 million per quarter.

The base management fee for the years ended December 31, 2010, 2009 and 2008 was $5.4 million, $3.8 million, and $4.5 million, respectively. The manager earned an incentive management fee of $7.4 million of which $6.3 million was paid in cash, which also included $3.4 million related to the Company's investment management agreement with a subsidiary of the Manager, and $1.1 million was paid in stock (182,660 shares) for the period from January 1, 2010 to December 31, 2010. The manager earned an incentive management fee of $4.6 million of which $3.4 million was paid in cash and $1.2 million was paid in stock (217,149 shares) for the period from January 1, 2009 to December 31, 2009. The manager earned an incentive management fee of $1.8 million of which $1.3 million was paid in cash and $440,000 was paid in stock (86,489 shares) for the period from January 1, 2008 to December 31, 2008.

At December 31, 2010, the Company was indebted to the Manager for base management fees of $522,000 incentive management fees of $131,000, incentive management fees to a subsidiary of the Manager under the Company's investment management agreement of $1.0 million and expense reimbursements of $256,000. At December 31, 2009, the Company was indebted to the Manager for base management fees of $371,000 incentive management fees of $1.5 million and expense reimbursements of $129,000.

NOTE 15 – RELATED-PARTY TRANSACTIONS

Relationship with Resource America and Certain of its Subsidiaries

At December 31, 2010, Resource America owned 2,444,002 shares, or 4.2%, of the Company's outstanding common stock. In addition, at that date, Resource America also held options to purchase 2,166 shares of common stock.

The Company is managed by the Manager pursuant to the Management Agreement that provides for both base and incentive management fees. For the years ended December 31, 2010, 2009 and 2008, the Manager earned base management fees of approximately $5.4 million, $3.8 million and $4.5 million, respectively, and earned $4.4 million, $4.6 million and $1.8 million, respectively, of incentive management fees. The Company also reimburses the Manager and Resource America for expenses and employees of Resource America who perform legal, accounting, due diligence and other services that outside professionals or consultants would otherwise perform. On October 16, 2009, the Company entered into an amendment to the management agreement. Pursuant to the amendment, the Manager must provide the Company with a Chief Financial Officer and three accounting professionals, each of whom will be exclusively dedicated to the operations of the Company. The Manager must also provide the Company with a director of investor relations who will be 50% dedicated to the Company's operations. The Company will bear the expense of the wages, salaries and benefits of the Chief Financial Officer and three accounting professionals and 50% of the salary and benefits of the director of investor relations. In addition, the Company began reimbursing its Chairman for wages, salary, and benefits in February 2010. For the years ended December 31, 2010, 2009 and 2008, the Company paid the Manager $1.8 million, $664,000 and $392,000, respectively, as expense reimbursements. For a description of the management agreement and fees paid and payable to the Manager (see Note 14).

At December 31, 2010, the Company was indebted to the Manager for base management fees of $522,000, incentive management fees of $131,000 and expense reimbursements of $256,000. At December 31, 2009, the Company was indebted to the Manager for base management fees of $371,000, incentive management fees of $1.5 million and expense reimbursements of $129,000.

As of each of December 31, 2010 and 2009, the Company had executed seven and six CDO transactions, respectively, which were structured for the Company by the Manager. Under the Management Agreement, the Manager was not separately compensated by the Company for executing these transactions and is not separately compensated for managing the CDO entities and their assets.

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NOTE 15 – RELATED-PARTY TRANSACTIONS – (Continued)

Relationship with Resource America and Certain of its Subsidiaries – (Continued)

The Company purchased a membership interest in RRE VIP Borrower, LLC (an unconsolidated VIE that holds the Company's interests in a real estate joint venture) from Resource America at book value. This joint venture, which is structured as a credit facility with Värde Investment Partners, LP acting as lender, finances the acquisition of distressed properties and mortgage loans and has the objective of repositioning both the directly owned properties and the properties underlying the mortgage loans to enhance their value. The Company acquired the membership interests for $2.1 million. The agreement requires the Company to contribute 3% to 5% (depending on the asset agreement) of the total funding required for each asset acquisition on a monthly basis. The investment balance of $5.2 million and $2.1 million at December 31, 2010 and 2009, respectively, is recorded as an investment in unconsolidated entities on the Company's consolidated balance sheet.

On January 15, 2010, the Company made a loan of $2.0 million to Resource Capital Partners, Inc. so that it could acquire a 5.0% limited partnership interest in Resource Real Estate Opportunity Fund, L.P. The loan is secured by Resource Capital Partner's partnership interest in the Resource Real Estate Opportunity Fund, L.P. The promissory note bears interest at a fixed rate of 8.0% per annum on the unpaid principal balance. In the event of default, interest will accrue and be payable at a rate of 5.0% in excess of the fixed rate. Interest is payable quarterly. Mandatory principal payments must also be made to the extent distributable cash or other proceeds from the partnership represents a return of Resource Capital Partners, Inc.'s capital. The loan matures on January 14, 2015, with Resource Capital Partners, Inc. having options to extend the loan for two additional 12-month periods each.

On November 24, 2010, the Company entered into an Investment Management Agreement with Resource Capital Markets, Inc. ("RCM"), a wholly-owned subsidiary of Resource America, which provided that: (a) RCM may invest up to $5.0 million and the investable amount being adjusted by portfolio gains/(losses) and collections, and offset by expenses, taxes and realized management fees, and (b) RCM can earn a management fee in any year that the net profits earned exceed a preferred return, the fee basis is 20% of the amount by which the net profits exceed the preferred return. During the year ended December 31, 2010, RCM earned $1.0 million in management fees associated with realized profits and $1.9 million in management fees associated with unrealized profits. RCM commenced trading in June 2010 in these privately issued securities through Resource TRS upon the conceptual approval of the investment by the Company's Board. The Company has since reinvested gains from this activity and holds $17.7 million of these trading securities, at fair market value as of December 31, 2010. In addition, the Company and RCM have established an escrow account that allocates the net profit or net losses of the portfolio on a yearly basis based on the net asset value of the account established by Resource TRS. This account provides an additional incentive to RCM to generate net profits during any year and provides the Company a return on any possible net losses, if any were to occur during any subsequent calendar year. During the year ended December 31, 2010, RCM earned $438,000 as their share of the net profits as defined in the agreement.

Relationship with LEAF

LEAF Financial Corp. ("LEAF"), a majority-owned subsidiary of Resource America, originates and manages lease receivables on the Company's behalf. On May 27, 2010, the Company closed a $120.0 million securitization adding to the Company's existing lease receivables. The securitization, LEAF Funding 3, issued equipment-backed securitized notes at a weighted average discounted price of 93.6%. At closing, $14.4 million of proceeds were placed into a restricted account. As of September 30, 2010, all proceeds related to the commitment have been funded. The Company had $21.0 million of equity invested in LEAF Funding 3 as of December 31, 2010.

The Company purchases lease receivables from LEAF at a price equal to their book value plus a reimbursable origination cost not to exceed 1% to compensate LEAF for its origination costs. During the year ended December 31, 2010, the Company acquired $131.7 million of notes from LEAF, including $102,000 of origination cost reimbursements. These acquisitions are directly related to the LEAF Funding 3 securitization discussed above. During the year ended December 31, 2009, the Company did not acquire any lease receivables from LEAF. In addition, the Company pays LEAF an annual servicing fee, equal to 1% of the book value of managed assets, for servicing the Company's lease receivables. At December 31, 2010 and 2009, the Company was indebted to LEAF for servicing fees in connection with the Company's equipment finance portfolio of $6,000 and $8,000, respectively. LEAF servicing fees for the years ended December 31, 2010, 2009 and 2008 were $87,000, $505,000 and $953,000, respectively.

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NOTE 15 – RELATED-PARTY TRANSACTIONS – (Continued)

Relationship with LEAF – (Continued)

The Company has the right to require LEAF Funding to repurchase credit impaired contracts or replace such contracts with performing contracts. LEAF Funding would have to repurchase or provide substitute contracts for each credit impaired contract at an amount equal to the discounted contract balance plus any overdue payments. LEAF Fundings' repurchase obligation is limited to 5% of the aggregate discounted contract balance of all of the contracts sold by LEAF Funding to the Company.

On March 5, 2010, the Company entered into agreements with Lease Equity Appreciation Fund II, L.P. ("LEAF II"), that provide an $8.0 million credit facility to LEAF II, of which all $8.0 million was funded by March 31, 2010, for a one year term at 12% payable quarterly, with a 1% loan origination fee which is secured by all assets of LEAF II, including its entire ownership interest in LEAF II Receivables Funding, LLC. The note originally matured on March 3, 2011 but has been extended until June 3, 2011 with a 1% extension fee on the current outstanding loan balance. The loan amount outstanding at December 31, 2010 was $7.9 million.

During the year ended December 31, 2010, the Company sold two lease receivables back to LEAF at a price equal to their book value. The total sale proceeds received were $139,000. During the year ended December 31, 2009, the Company did not sell any lease receivables back to LEAF.

Relationship with Resource Real Estate

Resource Real Estate, a subsidiary of Resource America, originates, finances and manages the Company's commercial real estate loan portfolio, including whole loans, A notes, B notes and mezzanine loans. The Company reimburses Resource Real Estate for loan origination costs associated with all loans originated. At December 31, 2010 and 2009, the Company had no indebtedness to Resource Real Estate for loan origination costs in connection with the Company's commercial real estate loan portfolio.

Relationship with Law Firm

Until 1996, director Edward E. Cohen, a director who was the Company's Chairman from its inception until November 2009, was of counsel to Ledgewood, P.C., a law firm. In addition, one of the Company's executive officers, Jeffrey F. Brotman, was employed by Ledgewood until 2007. Mr. Cohen receives certain debt service payments from Ledgewood related to the termination of his affiliation with Ledgewood and its redemption of his interest in the firm. Mr. Brotman also receives certain debt service payments from Ledgewood related to the termination of his affiliation with the firm. For the years ended December 31, 2010, 2009 and 2008, the Company paid Ledgewood $311,000, $660,000 and $164,000, respectively, in connection with legal services rendered to the Company.

NOTE 16 – DISTRIBUTIONS

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

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NOTE 16 – DISTRIBUTIONS – (Continued)

The Company's 2011 dividends will be determined by the Company's board of directors which will also consider the composition of any dividends declared, including the option of paying a portion in cash and the balance in additional common shares. Generally, dividends payable in stock are not treated as dividends for purposes of the deduction for dividends, or as taxable dividends to the recipient. However, the Internal Revenue Service, in Revenue Procedures 2009-15 and 2010-12, has given guidance with respect to certain stock distributions by publicly traded REITs. These Revenue Procedures apply to distributions made on or after January 1, 2008 and declared with respect to a taxable year ending on or before December 31, 2011. They provide that publicly-traded REITs can distribute stock to satisfy their REIT distribution requirements if stated conditions are met. These conditions include that at least 10% of the aggregate declared distributions be paid in cash and the shareholders be permitted to elect whether to receive cash or stock, subject to the limit set by the REIT on the cash to be distributed in the aggregate to all shareholders. The Company did not use these Revenue Procedures with respect to any distributions for its 2009 and 2010 taxable years, but may do so for distributions with respect to 2011.

During the year ended December 31, 2010, the Company declared and paid distributions totaling $51.1 million, or $1.00 per share. This includes $14.6 million, in the aggregate, declared on December 16, 2010 and paid on January 26, 2011 to stockholders of record as of December 31, 2010. During the year ended December 31, 2009, the Company declared and paid distributions totaling $31.8 million, or $1.15 per share. This includes $9.2 million, in the aggregate, declared on December 14, 2009 and paid on January 26, 2010 to stockholders of record as of December 31, 2009. During the year ended December 31, 2008, the Company declared and paid distributions totaling $40.7 million, or $1.60 per share. For tax purposes, 93% of the distributions declared in 2010 has been classified as ordinary income and 7% has been classified as a non-dividend distribution. For 2009 and 2008, 100% of the distributions were classified as ordinary income.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In analyzing the fair value of its investments accounted for on a fair value basis, the Company follows the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company determines fair value based on quoted prices when available or, if quoted prices are not available, through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The hierarchy followed defines three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter; depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Company expects that changes in classifications between levels will be rare.

Certain assets and liabilities are measured at fair value on a recurring basis. The following is a discussion of these assets and liabilities as well as the valuation techniques applied to each for fair value measurement.

The Company reports its investment securities available-for-sale at fair value. To determine fair value, the Company uses two methods, either a dealer quote or an internal valuation model, depending upon when the position was purchased and the current level of market activity.

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NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS – (Continued)

For securities purchased in 2009 and thereafter, the Company obtains a quote from a dealer, which typically will be the dealer who sold the Company the security. The Company has been advised that, in formulating their quotes, dealers may use recent trades in the particular security, if any, market activity in similar securities, if any, or internal valuation models. These quotes are non-binding. As a result of how the dealers develop their quotes, the market illiquidity and low levels of trading activity as of December 31, 2009, the Company categorized all of these investment securities available-for-sale in Level 3 in the fair value hierarchy. Due to the increased level of trading activity in 2010, the Company moved some of these securities into Level 2 in the fair value hierarchy. The Company evaluates the reasonableness of the quotes it receives by applying its own valuation models. If there is a material difference between a quote the Company receives and the value indicated by its valuation models, the Company will evaluate the difference. As part of that evaluation, the Company will discuss the difference with the dealer, who may revise their quote based upon these discussions. Alternatively, the Company may revise its valuation models.

For investment securities available-for-sale purchased prior to 2009, the Company determines fair value based on taking a weighted average of the following three measures:

- dealer quotes, as described above;
- quotes on more actively-traded, higher-rated securities issued in a similar time period, adjusted for differences in rating and seniority; and
- the value resulting from an internal valuation model using an income approach based upon an appropriate risk-adjusted yield, time value and projected losses using default assumptions based upon an historical analysis of underlying loan performance.

The Company reports its investment securities-trading at fair value, which is based on a dealer quotes or bids which are validated using an income approach utilizing appropriate prepayment, default and recovery rates. Any changes in fair value are recorded on the Company's results of operations as net unrealized gain on investment securities-trading.

Derivatives (interest rate swaps and interest rate caps), both assets and liabilities are reported at fair value, and, are valued by a third-party pricing agent using an income approach with models that use, as their primary inputs, readily observable market parameters. This valuation process considers factors including interest rate yield curves, time value, credit factors and volatility factors. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments have become significant to the overall valuation of some of its derivatives. As a result, the Company has transferred derivatives with credit valuation adjustments to Level 3 in the fair value hierarchy as of December 31, 2010 from Level 2 of the fair value hierarchy as of September 30, 2010.

The following table presents information about the Company's assets (including derivatives that are presented net) measured at fair value on a recurring basis as of December 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities-trading	$ –	$ –	$ 17,723	$ 17,723
Investment securities available-for-sale	–	38,303	25,657	63,960
Total assets at fair value	$ –	$ 38,303	$ 43,380	$ 81,683
Liabilities:				
Derivatives (net)	$ –	$ 2,363	$ 10,929	$ 13,292
Total liabilities at fair value	$ –	$ 2,363	$ 10,929	$ 13,292

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NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS – (Continued)

The following table presents additional information about assets which are measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs (in thousands).

	Level 3
Beginning balance, January 1, 2010	$ 44,542
Total gains or losses (realized/unrealized):	
Included in earnings	(6,936)
Purchases	19,671
Transfers out of Level 3	(43,090)
Unrealized losses – included in accumulated other comprehensive income	29,193
Ending balance, December 31, 2010	$ 43,380

The following table presents additional information about liabilities which are measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs (in thousands).

	Level 3
Beginning balance, January 1, 2010	$ –
Transfers into Level 3	10,929
Ending balance, December 31, 2010	$ 10,929

The Company had $26.8 million and $13.5 million of losses included in earnings due to the other-than-temporary impairment charges of six and four assets during the years ended December 31, 2010 and 2009, respectively. These losses are included in the consolidated statements of operations as net impairment losses recognized in earnings. There were no such losses during the year ended December 31, 2008.

Loans held for sale consist of bank loans and commercial real estate loans ("CRE loans") identified for sale due to credit issues. Interest on loans held for sale is recognized according to the contractual terms of the loan and included in interest income on loans. The fair value of bank loans held for sale and impaired bank loans is based on what secondary markets are currently offering for these loans. As such, the Company classifies these loans as recurring Level 2. The amount of the adjustment for fair value for bank loans held for sale for the years ended December 31, 2010 and 2009 was $114,000 and $375,000, respectively. For the Company's CRE loans where there is no market, fair value is measured using discounted cash flow analysis and other valuation techniques and these loans are classified as nonrecurring Level 3. The amount of nonrecurring fair value losses for impaired loans for the years ended December 31, 2010 and 2009 was $31.6 million and $45.7 million, respectively, and is included in the consolidated statements of operations as provision for loan and lease losses.

Property available-for-sale is estimated based on recent sales prices of prior similar condominium units in the property and the appraised value of a similar condominium unit in the property less costs to sell

The following table summarizes the financial assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Level 1	Level 2	Level 3	Total
Assets:				
Loans held for sale	$ –	$ 4,027	$ 24,566	$ 28,593
Impaired loans	–	250	132,777	133,027
Property available-for-sale	–	–	4,444	4,444
Equity	–	–	147	147
Total assets at fair value	$ –	$ 4,277	$ 161,934	$ 166,211

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NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS – (Continued)

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, dividend reinvestment plan proceeds receivable, interest receivable, distribution payable and accrued interest expense approximates their carrying value on the consolidated balance sheet. The fair value of the Company's investment securities-trading is reported in Note 4. The fair value of the Company's investment securities available-for-sale is reported in Note 5. The fair value of the Company's investment securities held-to-maturity is reported in Note 6. The fair value of the Company's derivative instruments is reported in Note 18.

The fair values of the Company's remaining financial instruments that are not reported at fair value on the consolidated balance sheet are reported below.

	Fair Value of Financial Instruments (in thousands)			
	December 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Loans held-for-investment	$ 1,443,271	$ 1,439,376	$ 1,557,757	$ 1,514,696
Loans receivable–related party	$ 9,927	$ 9,927	$ –	$ –
CDOs	$ 1,397,880	$ 905,790	$ 1,484,952	$ 857,262
Junior subordinated notes	$ 50,354	$ 16,848	$ 50,052	$ 16,546

NOTE 18– INTEREST RATE RISK AND DERIVATIVE INSTRUMENTS

A significant market risk to the Company is interest rate risk. 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 the Company's control. Changes in the general level of interest rates can affect net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with the interest-bearing liabilities, by affecting the spread between the interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates also can affect the value of the Company's interest-earning assets and the Company's ability to realize gains from the sale of these assets. A decline in the value of the Company's interest-earning assets pledged as collateral for borrowings could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels.

The Company seeks to manage the extent to which net income changes as a function of changes in interest rates by matching adjustable-rate assets with variable-rate borrowings. During periods of changing interest rates, interest rate mismatches could negatively impact the Company's consolidated financial condition, consolidated results of operations and consolidated cash flows. In addition, the Company mitigates the potential impact on net income of periodic and lifetime coupon adjustment restrictions in its investment portfolio by entering into interest rate hedging agreements such as interest rate caps and interest rate swaps.

In the next twelve months, the Company expects to reclassify $227,000 from accumulated other comprehensive loss to earnings. The amount relates to the termination of 18 hedges during the years ended December 31, 2006, 2007 and 2008 and the requirement for the remaining gains and losses to be amortized over the life of the remaining debt. In addition, in the next twelve months, the Company expects to pay $7.4 million in net interest expense for its hedges.

During the years ended December 31, 2010, 2009 and 2008, the Company recognized expense of $224,000, $499,000 and $211,000, respectively, into earnings related to the amortization of gains and losses on 18 terminated hedges.

At December 31, 2010, the Company had 10 interest rate swap contracts outstanding whereby the Company paid an average fixed rate of 5.17% and received a variable rate equal to one-month LIBOR. The aggregate notional amount of these contracts was $166.8 million at December 31, 2010. In addition, the Company also has one interest rate cap agreement with an aggregate notional amount of $14.8 million outstanding whereby it reduced its exposure to variability in future cash flows attributable to LIBOR. The interest rate cap is a non-designated cash flow hedge and, as a result, the change in fair value is recorded through the consolidated statements of operations. The counterparty for all the Company's designated interest rate hedge contracts is Credit Suisse International with which the Company has a master netting agreement.

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NOTE 18– INTEREST RATE RISK AND DERIVATIVE INSTRUMENTS – (Continued)

At December 31, 2009, the Company had 13 interest rate swap contracts outstanding whereby the Company paid an average fixed rate of 5.18% and received a variable rate equal to one-month LIBOR. The aggregate notional amount of these contracts was $217.9 million at December 31, 2009. In addition, as described in the prior paragraph, the Company also had one interest rate cap agreement with an aggregate notional amount of $14.8 million outstanding. The counterparty for all the Company's designated interest rate hedge contracts as of December 31, 2009 was Credit Suisse International.

The estimated fair value of the Company's interest rate swaps was ($13.3) million and ($12.8) million as of December 31, 2010 and 2009, respectively. The Company had aggregate unrealized losses of $14.7 million and $14.6 million on the interest rate swap agreements, as of December 31, 2010 and 2009, respectively, which is recorded in accumulated other comprehensive loss. In connection with the August 2006 close of RREF CDO 2006-1, the Company realized a swap termination loss of $119,000, which is being amortized over the term of RREF CDO 2006-1. The amortization is reflected in interest expense in the Company's consolidated statements of operations. In connection with the June 2007 close of RREF CDO 2007-1, the Company realized a swap termination gain of $2.6 million, which is being amortized over the term of RREF CDO 2007-1. The accretion is reflected in interest expense in the Company's consolidated statements of operations. In connection with the termination of a $53.6 million swap related to RREF CDO 2006-1 during the nine months ended September 30, 2008, the Company realized a swap termination loss of $4.2 million, which is being amortized over the term of a new $45.0 million swap. The amortization is reflected in interest expense in the Company's consolidated statements of operations. In connection with the payoff of a fixed-rate commercial real estate loan during the three months ended September 30, 2008, the Company terminated a $12.7 million swap and realized a $574,000 swap termination loss, which is being amortized over the term of the terminated swap. The amortization is reflected in interest expense in the Company's consolidated statements of operations.

The following tables present the fair value of the Company's derivative financial instruments as well as their classification on the balance sheet as of December 31, 2010 and on the consolidated statement of operations for the year ended December 31, 2010:

Fair Value of Derivative Instruments as of December 31, 2010
(in thousands)

	Liability Derivatives		
	Notional Amount	Balance Sheet Location	Fair Value
Interest rate cap agreement	$ 14,841	Derivatives, at fair value	$ –
Interest rate swap contracts	$ 166,836	Derivatives, at fair value	$ (13,292)
		Accumulated other comprehensive loss	$ 13,292

The Effect of Derivative Instruments on the Statement of Operations for the Year Ended December 31, 2010
(in thousands)

	Liability Derivatives		
	Notional Amount	Statement of Operations Location	Unrealized Loss [(1)]
Interest rate cap agreement	$ 14,841	Interest expense	$ 46
Interest rate swap contracts	$ 166,836	Interest expense	$ 9,438

(1) Negative values indicate a decrease to the associated balance sheet or consolidated statement of operations line items.

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NOTE 19 – STOCK INCENTIVE PLANS

Upon formation of the Company, the 2005 Stock Incentive Plan (the "2005 Plan") was adopted for the purpose of attracting and retaining executive officers, employees, directors and other persons and entities that provide services to the Company. The 2005 Plan authorizes the issuance of up to 1,533,333 shares of common stock in the form of options to purchase common stock, stock awards, performance shares and stock appreciation rights.

In July 2007, the Company's shareholders approved the 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan authorizes the issuance of up to 2,000,000 shares of common stock in the form of options to purchase common stock, stock awards, performance shares and stock appreciation rights.

NOTE 20 – INCOME TAXES

The Company has made an election to be taxed, and believes it qualifies, as a REIT under Sections 856 through 860 of the Internal Revenue Code. To maintain REIT status for federal income tax purposes, the Company is generally required to distribute at least 90% of its REIT taxable income to its shareholders as well as comply with certain other qualification requirements as defined under the Internal Revenue Code. Accordingly, the Company is not subject to federal corporate income tax to extent that it distributes 100% of its REIT taxable income each year. Taxable income from non-REIT activities managed through Resource TRS, the Company's taxable REIT subsidiary, is subject to federal, state and local income taxes.

Resource TRS' income taxes are accounted for under the asset and liability method. Under this method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and tax basis of Resource TRS' assets and liabilities.

The following table details the components of Resource TRS' income taxes (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Provision (benefit) for income taxes:			
Current:			
Federal	$ 324	$ (325)	$ (331)
State	–	–	(25)
Total current	324	(325)	(356)
Deferred:			
Federal	4,134	248	88
State	1,263	75	27
Total deferred	5,397	323	115
Income tax provision (benefit)	$ 5,721	$ (2)	$ (241)

A reconciliation between the federal statutory income tax rate and Resource TRS' effective income tax rate is as follows:

	Years Ended December 31,		
	2010	2009	2008
Statutory tax rate	35%	35%	35% %
State and local taxes, net of federal benefit	10%	8%	9% %
Valuation allowance for deferred tax assets	(8)%	(39)%	–% %
Other items	–%	(4)%	2% %
	37%	–%	46% %

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NOTE 20 – INCOME TAXES – (Continued)

The components of Resource TRS' deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2010	2009
Deferred tax assets related to:		
Lease accounting	$ 3,283	$ –
Foreign, state and local loss carryforwards	855	703
Provision for loan and lease losses	32	521
Accrued expenses	231	–
Total deferred tax assets	4,401	1,224
Valuation allowance	–	(1,224)
Total deferred tax assets	$ 4,401	$ –
Deferred tax liabilities related to:		
Unrealized income/loss on investments	$ (4,450)	$ –
Property and equipment basis differences	(5,348)	–
Total deferred tax liabilities	$ (9,798)	$ –

As of December 31, 2010, Resource TRS had federal, state and local net operating tax loss carryforwards ("NOLs") of $5.6 million that will expire between 2011 and 2031, which resulted in a deferred tax asset of $855,000. Based on changes in estimates of taxable income projections, Resource TRS has decreased its gross valuation allowance from $2.9 million to $0 (tax effected benefit of $1.2 million).

Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, the Company's foreign TRSs, are organized as exempted companies incorporated with limited liability under the laws of the Cayman Islands, and are generally exempt from federal and state income tax at the corporate level because their activities in the United States are limited to trading in stock and securities for their own account. Therefore, despite their status as taxable REIT subsidiaries, they generally will not be subject to corporate tax on their earnings and no provision for income taxes is required; however, because they are "controlled foreign corporations," the Company will generally be required to include Apidos CDO I's, Apidos CDO III's and Apidos Cinco CDO's current taxable income in its calculation of REIT taxable income.

Effective January 1, 2007, the Company adopted the provisions of FASB's guidance for uncertain tax positions. This implementation did not have an impact on the Company's balance sheet or results of operations. The guidance prescribes that a tax position should only be recognized if it is more likely than not that the position will be sustained upon examination by the appropriate taxing authority. A tax position that meets this threshold is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company is required to disclose its accounting policy for classifying interest and penalties, the amount of interest and penalties charged to expense each period as well as the cumulative amounts recorded in the consolidated balance sheets. The Company will continue to classify any tax penalties as other operating expenses and any interest as interest expense. The Company does not have any unrecognized tax benefits that would affect the Company's financial position.

As of December 31, 2010, income tax returns for the calendar years 2007 - 2010 remain subject to examination by Internal Revenue Service ("IRS") and/or any state or local taxing jurisdiction. The Company has not executed any agreements with the IRS or any state and/or local taxing jurisdiction to extend a statue of limitations in relation to any previous year.

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NOTE 21 – QUARTERLY RESULTS

The following is a presentation of the quarterly results of operations for the years ended December 31, 2010 and 2009:

	March 31 (unaudited)	June 30 (unaudited)	September 30 (unaudited)	December 31 (unaudited)
		(in thousands, except per share data)		
Year ended December 31, 2010				
Interest income	$ 21,709	$ 24,460	$ 29,249	$ 28,493
Interest expense	7,937	8,929	10,089	9,511
Net interest income	$ 13,772	$ 15,531	$ 19,160	$ 18,982
Net income (loss)	$ 1,406	$ 13,362	$ 14,053	$ (9,374)
Net income (loss) per share − basic	$ 0.04	$ 0.30	$ 0.27	$ (0.17)
Net income (loss) per share − diluted	$ 0.04	$ 0.30	$ 0.27	$ (0.17)
Year ended December 31, 2009				
Interest income	$ 26,622	$ 25,274	$ 22,501	$ 23,196
Interest expense	13,877	12,748	9,203	9,599
Net interest income	$ 12,745	$ 12,526	$ 13,298	$ 13,597
Net (loss) income	$ (12,152)	$ (5,127)	$ 11,528	$ 12,090
Net (loss) income per share − basic	$ (0.50)	$ (0.21)	$ 0.48	$ 0.43
Net (loss) income per share − diluted	$ (0.50)	$ (0.21)	$ 0.47	$ 0.43

NOTE 22 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing of this form and determined that there have not been any events that have occurred that would require adjustments to or disclosures in the consolidated financial statements, other than listed below.

On December 16, 2010, the Company declared a quarterly distribution of $0.25 per share of common stock, $14.6 million in the aggregate, which was paid on January 26, 2011 to stockholders of record as of December 31, 2010.

On January 4, 2011, the Company made an investment, in conjunction with a debt financing commitment from Guggenheim Securities, in LEAF Commercial Capital, Inc. ("LCC"). LCC is a newly formed commercial finance company specializing in equipment leasing and is a subsidiary of LEAF. LEAF contributed its leasing platform and directly-held leases and loans to LCC while the Company and Guggenheim Securities committed to investing up to $44.0 million of capital (which includes the option to invest an additional $10 million at a later date) in the form of preferred stock and subordinated debt, respectively, into LCC. A portion of the Company's investment consisted of the contribution of leases and loans and equity in these investments it had acquired from LEAF. In return, the Company received 2,626 shares of LEAF Commercial Series A preferred stock and warrants to purchase 4,800 shares of LCC common stock for an exercise price of $0.01 per share (representing 48% of LCC's common stock on a fully-diluted basis).

On February 1, 2011, the Company entered into a master repurchase and securities agreement with Wells Fargo Bank, National Association to finance the purchase of securities. The maximum amount of the facility is $100.0 million and has a two year term with a one year option to extend.

On February 8, 2011, the Company sold a mezzanine loan secured by an office building with an amortized cost of $20.1 million for $15.0 million and recorded a $5.1 million provision for loan losses as of December 31, 2010, accordingly. This loan is classified as a loan held for sale on the consolidated balance sheet as of December 31, 2010.

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NOTE 22 – SUBSEQUENT EVENTS – (Continued)

On February 6, 2011, the Company sold a mezzanine loan secured by an office building with an amortized cost of $19.1 million for $9.6 million and recorded a $9.3 million provision after a general provision of $290,000 covered some of the losses as of December 31, 2010. This loan is classified as a loan held for sale on the consolidated balance sheet as of December 31, 2010.

On February 24, 2011, the Company announced that it had entered into a definitive agreement that will expand its management in broadly syndicated bank loans. A subsidiary of the Company has agreed to purchase 100% of the ownership interests in Churchill Pacific Asset Management LLC ("CPAM") from Churchill Financial Holdings LLC ("Churchill") for $22.5 million. Through CPAM, the Company will be entitled to collect senior, subordinated and incentive fees related to five Collateralized Loan Obligations ("CLOs") totaling approximately $1.9 billion in assets managed by CPAM. CPAM will be assisted by Apidos Capital Management, LLC, in managing the five CLOs. CPAM has subsequently changed its name to Resource Capital Asset Management.

The Company received $20.0 million in proceeds related to the issuance of 2.8 million shares of common stock on the Company's dividend reinvestment plan during January 2011 and February 2011.

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ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. 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.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework Based on this assessment management believes that, as of December 31, 2010, our internal control over financial reporting is effective.

Our independent registered public accounting firm, Grant Thornton LLP, audited our internal control over financial reporting as of December 31, 2010. Their report, dated March 14, 2011, expressed an unqualified opinion on our internal control over financial reporting. This report is included in this Item 9A.

Changes in Internal Control of Financial Reporting

There were no significant changes in our internal control over financial reporting during the fiscal year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Resource Capital Corp.

We have audited Resource Capital Corp. and its subsidiaries' (a Maryland Corporation) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Fram*ework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Resource Capital Corp. and its subsidiaries' 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 Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on Resource Capital Corp. and its subsidiaries' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Resource Capital Corp. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Resource Capital Corp. and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated March 14, 2011 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania
March 14, 2011

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

All members of the board of directors are elected for a term of one year or until their successors are elected and qualified. Information is set forth below regarding the principal occupation of each of our directors. There are no family relationships among the directors and executive officers except that Jonathan Z. Cohen, our Chief Executive Officer, President and a director, is a son of Edward E. Cohen, a director and, until November 2009, our Chairman of the Board.

Names of Directors, Principal Occupation and Other Information

Walter T. Beach, age 44, has been a director since March 2005. Mr. Beach has been Managing Director of Beach Investment Counsel, Inc., an investment management firm, since 1997. From 1993 to 1997, Mr. Beach was a Senior Analyst and Director of Research at Widmann, Siff and Co., Inc., an investment management firm where, beginning in 1994, he was responsible for the firm's investment decisions for its principal equity product. Before that he was an associate and financial analyst at Essex Financial Group, a consulting and merchant banking firm, and an analyst at Industry Analysis Group, an industry and economic consulting firm. Mr. Beach has served as a director of The Bancorp, Inc., a publicly-traded (NASDAQ: TBBK) bank holding company, and its subsidiary bank, The Bancorp Bank, since 1999. Mr. Beach has also served as a director of Institutional Financial Markets, Inc. and its predecessor, Cohen & Company, a publicly-traded (AMEX: IFMI) financial services company specializing in credit related fixed income investments, since December 2009.

Edward E. Cohen, age 72, has been a director since March 2005 and was our Chairman from March 2005 to November 2009. Mr. Cohen was Chairman of Resource America, the corporate parent of our manager, a position he has held since 1990. He was Resource America's Chief Executive Officer from 1988 to 2004 and its President from 2000 to 2003. He is Chairman and Chief Executive Officer of Atlas Energy, Inc. (f/k/a/ Atlas America, Inc.), a publicly-traded (NASDAQ: ATLS) energy company, from 2000 to February 2011; Chairman of Atlas Pipeline Holdings GP, LLC, a wholly-owned subsidiary of Atlas Energy that is the general partner of Atlas Energy, L.P., a publicly-traded (NYSE: AHD) energy company, from 2006 to February 2011; Chief Executive Officer and President of Atlas Pipeline Holdings, GP since February 2011; and Chairman of the Managing Board of Atlas Pipeline Partners GP, LLC, a wholly-owned subsidiary of Atlas Energy that is the general partner of Atlas Pipeline Partners, L.P., a publicly-traded (NYSE: APL) natural gas pipeline company, since its formation in 1999. He is also Chairman of Brandywine Construction & Management, Inc., a privately-held real estate management company. From 1981 to 1999 he was Chairman of the Executive Committee of JeffBanks, Inc., a bank holding company acquired by Hudson United Bancorporation. From 1969 to 1989 he was Chairman of the Executive Committee of State National Bank of Maryland (now a part of Wachovia Bank).

Jonathan Z. Cohen, age 40, has been our Chief Executive Officer, President and a director since March 2005. Mr. Cohen has been President since 2003, Chief Executive Officer since 2004 and a Director since 2002 of Resource America. He was Executive Vice President of Resource America from 2001 to 2003, and a Senior Vice President from 1999 to 2001. He has been Vice Chairman of the Managing Board of Atlas Pipeline Partners GP since its formation in 1999, Vice Chairman of Atlas Energy from 2000 to February 2011 and Vice Chairman of Atlas Pipeline Holdings GP from 2006 to February 2011, and Chairman of Atlas Pipeline Holdings GP since 2011. He was the Vice Chairman of RAIT Investment Trust, (now RAIT Financial Trust) a publicly-traded (NYSE: RAS) REIT, from 2003 to 2006, and Secretary, trustee and a member of RAIT's investment committee from 1997 to 2006.

William B. Hart, age 67, has been a director since March 2005. Mr. Hart was Chairman of the Board of Trustees of the National Trust for Historic Preservation from 1999 to 2004. He was also a director of Anthem, Inc. (now Wellpoint, Inc.), a publicly-traded (NYSE: WLP) health insurance company, from 2000 to 2004. Mr. Hart was Director of SIS Bancorp from 1995 to 2000. From 1988 to 1999, Mr. Hart served in various positions with Blue Cross/Blue Shield of New Hampshire, ending as Chairman of the Audit Committee and Chairman of the Board of Directors from 1996 to 1999. He also served as President of the Foundation for the National Capital Region, Washington, DC, from 1993 to 1996 and President of The Dunfey Group, a private investment firm, from 1986 to 1998. From 1986 to 1994 he was a director of First NH Banks where he was Chairman of the Audit Committee from 1992 to 1994.

Gary Ickowicz, age 55, has been a director since February 2007. Mr. Ickowicz has been a Managing Principal of Lazard Freres Real Estate Investors, a manager of funds invested in debt and equity securities of North American real estate assets and enterprises, since 2001. He was a director of Lazard Freres's real estate investment banking unit from 1989 through 2001. Since 2000 he has been a director of Grant Street Settlement, and since 2002 he has been a director of NCC/Neumann, both not-for-profit developers of senior housing. Since 2001 he has been a director of Commonwealth Atlantic Properties, Inc., a privately-held REIT. From 2001 to 2006 he was a director of Kimsouth, Inc., a joint venture with Kimco Realty Corporation, a publicly-traded (NYSE: KIM) REIT.

Steven J. Kessler, age 68, has been our chairman since November 2009 and was our Senior Vice President - Finance from September 2005 to November 2009 and, before that, served as our Chief Financial Officer, Chief Accounting Officer and Treasurer from March 2005 to September 2005. Mr. Kessler has been Executive Vice President of Resource America since 2005 and was Chief Financial Officer from 1997 to December 2009 and Senior Vice President from 1997 to 2005. He was a Trustee of GMH Communities Trust, a previously publicly traded (NYSE: GCT) specialty housing REIT, from 2004 to 2008 when GCT was sold. He was Vice President - Finance and Acquisitions at Kravco Company, a then national shopping center developer and operator, from 1994 to 1997. From 1983 to 1993 he was employed by Strouse Greenberg & Co., a regional full service real estate company, ending as Chief Financial Officer and Chief Operating Officer. Before that, he was a partner at Touche Ross & Co. (now Deloitte & Touche LLP), independent public accountants.

Murray S. Levin, age 68, has been a director since March 2005. Mr. Levin is a senior litigation partner at Pepper Hamilton LLP, a law firm with which he has been associated since 1970. Mr. Levin served as the first American president of the Association Internationale des Jeunes Avocats (Young Lawyers International Association), headquartered in Western Europe. He is a past president of the American Chapter and a member of the board of governors of the Union Internationale des Avocats (International Association of Lawyers), a Paris-based organization that is the world's oldest international lawyers association.

P. Sherrill Neff, age 59, has been a director since March 2005. Mr. Neff is a founder of Quaker BioVentures, Inc., a life sciences venture fund, and has been a Partner since 2002. From 1994 to 2002 he was President and Chief Financial Officer, and from 1994 to 2003, a director of Neose Technologies, Inc., a then-publicly-traded (NASDAQ: NTEC) life sciences company. Mr. Neff was also a director of The Bancorp, Inc. (NASDAQ: TBBK) from its formation in 1999 until 2002. Mr. Neff is on the boards of directors of six Quaker BioVentures portfolio companies, including Amicus Therapeutics, Inc. (NASDAQ: FOLD) and five privately held companies. He is a member of the board of directors of the National Venture Capital Association.

The board of directors has not adopted specific minimum qualifications for service on our board, but rather seeks a mixture of skills that are relevant to our business as an externally-managed REIT that focuses primarily upon investments in commercial real estate and commercial finance assets, principally loans and interests in loans. The following presents a brief summary of the attributes of each director that led to the conclusion that he should serve as such:

Mr. Beach has extensive experience in finance and investment management and a strong financial background.

Mr. E. Cohen has lengthy experience in real estate and real estate finance (a principal business of Resource America), corporate finance (through the formation and funding of public companies such as Atlas Energy, Atlas America, Atlas Pipeline, and Resource America, and his banking experience) and operations of both public and private companies, and is affiliated with the Manager.

Mr. J. Cohen has significant real estate, real estate finance and operational experience as an officer (currently Chief Executive Officer and President) and director of Resource America, and is affiliated with the Manager.

Mr. Hart has extensive experience in finance and investment management, both as an officer and director of banks and insurance companies, as well as an officer of a private investment firm.

Mr. Ickowicz has broad real estate and real estate finance experience as a principal in the real estate operations of an international investment bank, as a director of a REIT and as a director three real estate ventures.

Mr. Kessler has a significant financial and accounting background in real estate as the former Chief Financial Officer of Resource America and, previously, as a principal financial officer for a major operator of commercial real estate.

Mr. Levin has a lengthy and diverse legal background and has practiced complex litigation for over forty years.

Mr. Neff has significant experience in investments, operations and finance as a principal or officer of a venture fund and a public company and, prior thereto, as an investment banker.

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Non-Director Executive Officers

Jeffrey D. Blomstrom, age 42, has been our Senior Vice President since March 2005. Mr. Blomstrom has been President and Managing Director of Resource Financial Fund Management, Inc., an asset management subsidiary of Resource America, since 2003. Mr. Blomstrom serves as the head of collateral origination and as a member of the credit committee for Trapeza Capital, Resource America's trust preferred security collateral manager. From 2001 to 2003 Mr. Blomstrom was a Managing Director at Cohen and Company. From 2000 to 2001 he was Senior Vice President of iATMglobal.net, Inc., an ATM software development company. Mr. Blomstrom was, from 1999 to 2000, an associate at Covington & Burling, a law firm, where he focused on mergers and acquisitions and corporate governance.

David E. Bloom, age 46, has been our Senior Vice President-Real Estate Investments since March 2005. Mr. Bloom has been Senior Vice President of Resource America since 2001. He has also been President of Resource Real Estate, Inc., a wholly-owned real estate subsidiary of Resource America, since 2004 and was President of Resource Capital Partners, an indirect wholly-owned subsidiary of Resource America, from 2002 to 2006. From 2001 to 2002 he was President of Resource Properties, a former real estate subsidiary of Resource America. Before that he was Senior Vice President at Colony Capital, LLC, an international real estate opportunity fund, from 1999 to 2001. From 1998 to 1999 he was Director at Sonnenblick-Goldman Company, a real estate investment bank. From 1995 to 1998 he was an attorney at the law firm of Willkie Farr & Gallagher, LLP.

Jeffrey F. Brotman, 47, has been our Executive Vice President since June 2009 and Executive Vice President of Resource America since June 2007. He was co-founder of Ledgewood, P.C. (a Philadelphia-based law firm) and affiliated with the firm from 1992 until June 2007, serving as managing partner from 1995 until March 2006. Mr. Brotman is also a non-active certified public accountant and an Adjunct Professor at the University of Pennsylvania Law School. Mr. Brotman was Chairman of the Board of Directors of TRM Corporation (a then publicly-traded consumer services company) from September 2006 until September 2008 and was its President and Chief Executive Officer from March 2006 through June 2007.

David J. Bryant, age 53, has been our Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer since June 2006. From 2005 to 2006 Mr. Bryant served as Senior Vice-President, Real Estate Services, at Pennsylvania Real Estate Investment Trust, a publicly-traded (NYSE: PEI) REIT principally engaged in owning, managing, developing and leasing malls and strip centers in the eastern United States. From 2000 to 2005, Mr. Bryant served as PEI's Senior Vice President - Finance and Treasurer, and was its principal accounting officer.

Other Significant Employees

The following sets forth certain information regarding other significant employees of the Manager and Resource America who provide services to us:

Christopher D. Allen, age 41, has been our Senior Vice President-Commercial Lending since March 2005. Mr. Allen has been a Managing Director of Resource Financial Fund Management, a wholly-owned subsidiary of Resource America since 2003. At Resource Financial Fund Management, Mr. Allen is in charge of identifying, implementing and overseeing new leveraged loan and CDO products. He is a member of the investment committee of Apidos Capital Management, LLC, a wholly-owned asset management subsidiary of Resource America, where he serves as the Chief Operating Officer. Before joining Resource Financial Fund Management, from 2002 to 2003 he was a Vice President at Trenwith Securities, the investment banking arm of BDO Seidman, LLP, where he was in charge of corporate finance, mergers and acquisitions and restructuring transactions. From 1994 to 1997 he was an Associate with Citicorp Venture Capital working on leveraged buyout and recapitalization transactions.

Gretchen L. Bergstresser, age 48, has been our Senior Vice President-Bank Loans since March 2005. Ms. Bergstresser has been the President and Senior Portfolio Manager of Apidos Capital Management, LLC since 2005. Before joining Apidos Capital Management LLC, from 2003 to 2005 she was the Managing Director and Portfolio Manager of MJX Asset Management, a multi-billion dollar boutique asset management firm managing leveraged loans across five structured vehicles. From 1996 to 2003 Ms. Bergstresser was CDO Portfolio Manager and Head Par Loan Trader at Eaton Vance Management, an investment management company. From 1995 to 1996 she was a Vice President in the Diversified Finance Division of Bank of Boston. From 1991 to 1995 she was a Vice President at ING (U.S.), Capital Markets, an investment banking firm.

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Crit DeMent, age 58, has been our Senior Vice President-Equipment Leasing since March 2005. Mr. DeMent has been Chairman and Chief Executive Officer of LEAF Financial Corporation, a majority-owned commercial finance subsidiary of Resource America, since 2001. Mr. DeMent has been Chairman and Chief Executive Officer of LEAF financial subsidiary, LEAF Commercial Capital Inc., since January 2011. From 2000 to 2001 he was President of the Small Ticket Group, an equipment leasing division of European American Bank. Before that, he was President and Chief Operating Officer of Fidelity Leasing, Inc., then the equipment leasing subsidiary of Resource America, and its successor, the Technology Finance Group of CitiCapital Vendor Finance, from 1996 to 2000. From 1987 to 1996 he was Vice President of Marketing for Tokai Financial Services, an equipment leasing firm.

Thomas C. Elliott, age 37, has been our Senior Vice President-Finance and Operations since September 2006 and, prior to that, was our Chief Financial Officer, Chief Accounting Officer and Treasurer from September 2005 to June 2006. He was our Senior Vice President - Assets and Liabilities Management from June 2005 until September 2005 and, before that, served as our Vice President - Finance from March 2005. Mr. Elliott has been Chief Financial Officer of Resource America since December 2009 and Senior Vice President since 2005. He was Senior Vice President - Finance and Operations of Resource America from 2006 to December 2009; Senior Vice President – Finance from 2005 to 2006 and Vice President - Finance from 2001 to 2005. From 1997 to 2001 Mr. Elliott was a Vice President at Fidelity Leasing, where he managed all capital market functions, including the negotiation of all securitizations and credit and banking facilities in the U.S. and Canada. Mr. Elliott also oversaw the financial controls and budgeting departments.

Alan F. Feldman, age 47, has been our Senior Vice President-Real Estate Investments since March 2005. Mr. Feldman has been Chief Executive Officer of Resource Real Estate since 2004 and Senior Vice President of Resource America since 2002. Mr. Feldman was President of Resource Properties from 2002 to 2005. From 1998 to 2002, Mr. Feldman was Vice President at Lazard Freres & Co., an investment banking firm, specializing in real estate mergers and acquisitions, asset and portfolio sales and recapitalization. From 1992 through 1998, Mr. Feldman was Executive Vice President of PREIT-RUBIN, Inc. the management subsidiary of Pennsylvania Real Estate Investment Trust and its predecessor, The Rubin Organization. Before that, from 1990 to 1992, he was a Director at Strouse, Greenberg & Co., a regional full service real estate company.

Kevin M. Finkel, age 39, has been our Vice President-Real Estate Investments since January 2006. He has also been employed by Resource Capital Partners since 2002, having been its Vice President and Director of Acquisitions from 2003 to 2006 and President since 2006. Mr. Finkel has also been an officer of Resource Real Estate since 2004, and is currently its Executive Vice President and Director of Acquisitions. In 2000, Mr. Finkel was an investment banking Associate at Lehman Brothers. From 1998 to 1999, Mr. Finkel was an Associate at Barclays Capital, the investment banking division of Barclays Bank PLC. From 1994 to 1998, Mr. Finkel was an investment banker at Deutsche Bank Securities, the investment banking division of Deutsche Bank AG.

Kyle Geoghegan, age 42, has been our Senior Vice President – Loan Originations since 2007. Mr. Geoghegan has been a Managing Director of Resource Real Estate Funding, Inc., a real estate subsidiary of Resource America, since July 2006. Mr. Geoghegan co-manages the whole loan origination platform for Resource Real Estate Funding and is based in Los Angeles. Mr. Geoghegan worked at Bear Stearns from January 1998 to May 2006, serving as a Managing Director who co-managed the Bear Stearns Commercial Mortgage office in Los Angeles. Prior to joining Bear Stearns, Mr. Geoghegan spent four years as a real estate loan officer at PNC Bank in Philadelphia, PA, primarily originating construction and bridge loans.

Yvana Melini, age 35, has been our Vice President and Director of Asset Management since 2008. Ms. Melini has served as Vice President of Debt Asset Management for Resource Real Estate since 2006. From 2000 to 2006, Ms. Melini served as a Vice President of both the Structured Asset Management and CMBS Credit Administration groups for Capmark Finance, Inc. (formerly GMAC Commercial Mortgage Corporation). Prior to her employment with Capmark, Ms. Melini served as Senior Underwriter for the Northeast Commercial Real Estate Lending division of Washington Mutual Bank. Ms. Melini has also privately consulted on various due diligence projects for large institutional investors and B-note buyers within the CMBS marketplace.

Darryl Myrose, age 37, has been our Senior Vice President – Loan Originations since 2007. Mr. Myrose has been a Managing Director of Resource Real Estate Funding since July 2006. Mr. Myrose co-manages the whole loan origination platform for Resource Real Estate Funding and is based in Los Angeles. Mr. Myrose worked at Bear Stearns from April 1996 to May 2006, serving as a Managing Director who co-managed the Bear Stearns Commercial Mortgage office in Los Angeles. Prior to joining Bear Stearns, Mr. Myrose was employed with Clarion Advisors (formerly Jones Lang Wootton Realty Advisors) where he was an asset management analyst.

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Thomas C. Powers, age 46, has been our Vice President – Loan Originations since 2007. Mr. Powers has been Senior Vice President of Resource Real Estate Funding since January 2008 and was Vice President from 2006 to 2008. Mr. Powers is responsible for all real estate asset management including investment origination and transaction management. Mr. Powers has over 20 years of commercial real estate, workout and risk management experience. Prior to joining Resource Real Estate Funding, Mr. Powers was a senior member of the real estate credit risk management and workout group at Merrill Lynch. Prior to his employment with Merrill Lynch, Mr. Powers worked in the project finance group at UBS Investment Bank.

Joan M. Sapinsley, age 58, has been our Senior Vice President – CMBS since 2007. Ms. Sapinsley joined Resource Financial Fund Management, Inc. in February 2007 as Managing Director and manages our CMBS portfolio. Prior to joining Resource Financial Fund Management, Ms. Sapinsley was a Managing Director at TIAA, where she worked from 1992 through 2006 purchasing CMBS. She was responsible for all single borrower and single asset CMBS, as well as subordinate CMBS and B-notes. She also directed TIAA's conduit origination and securitization activities. Before TIAA, Ms. Sapinsley was a Director in the Financial Services Group of Cushman & Wakefield and a real estate consultant at Laventhol & Horwath.

Michael S. Yecies, age 43, has been our Chief Legal Officer and Secretary since March 2005 and our Senior Vice President since July 2007. Mr. Yecies has been Senior Vice President of Resource America since 2005, Chief Legal Officer and Secretary since 1998 and was Vice President from 1998 to 2005. From 1994 to 1998 he was an attorney at the law firm of Duane Morris LLP.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish us with copies of all such reports.

Based solely on our review of the reports received by us, we believe that, during fiscal 2010, our officers, directors and greater than ten percent shareholders complied with all applicable filings requirements.

Code of Ethics

We have adopted a code of business conduct and ethics applicable to all directors, officers and employees. Our code of conduct is available on our website: www.resourcecapitalcorp.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver of, a provision of this code of conduct by posting such information on our website, unless otherwise required by applicable law or regulation.

Information Concerning the Audit Committee

Our Board of Directors has a standing audit committee. The audit committee reviews the scope and effectiveness of audits by the independent accountants, is responsible for the engagement of independent accountants, and reviews the adequacy of our internal financial controls. Members of the committee are Messrs. Neff (Chairman), Beach and Hart. The board of directors has determined that each member of the audit committee meets the independence standards for audit committee members set forth in the listing standards of the New York Stock Exchange, or NYSE, including those set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, and that Messrs. Beach and Neff each qualifies as an "audit committee financial expert" as that term is defined in the rules and regulations thereunder.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

We are required to provide information regarding the compensation program in place for our Chief Executive Officer, Chief Financial Officer and the three other most highly-compensated executive officers. In the following discussion, we refer to our Chief Executive Officer, Chief Financial Officer and the other most highly-compensated executive officers whose compensation for fiscal 2010 exceeded $100,000 as our "Named Executive Officers" or "NEOs."

Objectives of Our Compensation Program

We have no employees. We are managed by our Manager pursuant to a management agreement, between our Manager and us. All of our NEOs are employees of our Manager or one of its affiliates. We have not paid, and do not intend to pay, any cash compensation to our NEOs although we reimburse the Manager for the wages, salary and benefits established and paid by the Manager to our Chairman and Chief Financial Officer. However, our Compensation Committee may, from time to time, grant equity awards in the form of restricted stock, stock options or performance awards to our NEOs pursuant to our 2005 Stock Incentive Plan and/or the 2007 Omnibus Equity Compensation Plan. These awards are designed to align the interests of our NEOs with those of our stockholders, by allowing our NEOs to share in the creation of value for our stockholders through stock appreciation and dividends. These equity awards are generally subject to time-based vesting requirements designed to promote the retention of management and to achieve strong performance for our company. These awards further provide us flexibility in our ability to enable our Manager to attract, motivate and retain talented individuals at our Manager.

Setting Executive Compensation

Our NEOs are employees of Resource America, which determines the base salary, cash incentive compensation and, for grants of Resource America equity securities, equity incentive compensation that is paid to our NEOs. A portion of the base salary and cash incentive compensation paid to them is derived from the fees paid by us under the management agreement. We do not control how such fees are allocated by Resource America to its employees. For a description of our management agreement, see Item 1: "Business-Management Agreement." We disclose the cash amounts paid by Resource America to our Chief Financial Officer (for which we reimburse Resource America), our only NEO who devotes his full business time to our affairs, in the Summary Compensation Table below.

When Resource America makes its determination of the amount of compensation it will award to one of our NEOs, including in particular the amount of Resource America securities that Resource America will grant as equity incentive compensation, Resource America also considers, but does not determine, the amount of our securities we propose to grant as equity incentive compensation to that NEO. Similarly, in determining the amount of equity incentive compensation we grant to one of our NEOs, our compensation committee considers, but does not determine, the compensation that Resource America proposes to grant to that NEO, including Resource America's grant of Resource America securities as equity incentive compensation. Our respective compensation committees base their analyses and determinations upon recommendations submitted by Jonathan Z. Cohen, who is chief executive officer of both companies, for all of our NEOs other than himself. Resource America's compensation committee determines the amount of compensation Resource America will award Mr. J. Cohen, while our compensation committee determines the amount of any Resource Capital equity incentive compensation we award to Mr. J. Cohen. These analyses and determinations are not based upon any particular compensation matrix or formula, but instead are based upon qualitative evaluations by Mr. J. Cohen and the compensation committees. Our compensation committee does not make recommendations to Resource America as to the amount of compensation Resource America grants to our NEOs, nor does Resource America's compensation committee make recommendations to us regarding the amount of equity incentive compensation awarded by us to our NEOs.

Our compensation committee operates under a written charter adopted by our Board of Directors, a copy of which is available on our website at www.resourcecapitalcorp.com. Our compensation committee determines compensation amounts after the end of Resource America's fiscal year and makes equity awards after our fiscal year end. Awards made after our fiscal year end are reflected in our Summary Compensation Table but not our Grants of Plan-Based Awards table until our following fiscal year. Our compensation committee has the discretion to issue equity awards at other times during our fiscal year.

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Elements of Our Compensation Program

As described above, our NEOs do not receive cash compensation from us, although beginning in October 2009, we agreed to reimburse Resource America for the wages, salary and benefits of our Chief Financial Officer. In addition, we began reimbursing Resource America for our Chairman for wages, salary and benefits in February 2010. However, our compensation committee may, from time to time, grant equity awards in the form of restricted stock, stock options or performance awards to our NEOs pursuant to our 2005 Stock Incentive Plan and/or the 2007 Omnibus Equity Compensation Plan as follows

Stock Options. Stock options provide value to the executive only if our stock price increases after the grants are made. Stock options typically vest 33.3% per year.

Restricted Stock. Restricted stock units reward stockholder value creation slightly differently than stock options: restricted stock units are impacted by all stock price changes, both increases and decreases. Restricted stock units generally vest 33.3% per year and include a right to receive dividends on unvested shares.

Resource America Restricted Stock. As described above, Resource America's compensation committee approves awards of Resource America restricted stock to NEOs. These awards generally vest 25% per year, and may include a right to receive dividends on unvested shares.

Resource America Stock Options. As described above, Resource America's compensation committee approves awards of Resource America options to receive restricted stock to NEOs. These awards generally vest 25% per year.

Supplemental Incentive Arrangement with David Bloom. In December 2007, Resource America entered into an agreement with David Bloom, our Senior Vice President – Real Estate Investments, which provides for awards to him of our restricted stock and Resource America restricted stock. With respect to our restricted stock, Mr. Bloom was awarded 120,000 shares, 60,000 of which were subject to vesting over time and 60,000 of which were to vest based on the achievement of predetermined, objective performance goals over a multi-year performance period. We pay dividends on unvested awards. With respect to the shares that vest over time, 15% vested on June 30, 2008, 15% vested on June 30, 2009 and 70% vested on March 9, 2011. Performance-based shares were to be earned on achievement of performance goals over the performance period beginning July 1, 2007 and ending June 30, 2010, with one-third of the shares potentially being earned at the end of each 12-month measurement period. As of December 31, 2010, one-third of such shares had been earned and two-thirds of such shares had been forfeited.

How We Determined 2010 Compensation

In 2011 our Compensation Committee decided to issue more substantial stock awards to our NEOs than in past years as part of a long-term compensation plan to retain, motivate and incentivize employees who are critical to our continued success over the coming years. To enhance the retentive nature of such stock awards, all such stock awards cliff vest in full three years after the dates of grant. Our Compensation Committee considered these stock awards in addition to considering the total compensation that Resource America proposed for our NEOs.

In light of the long-term compensation plan discussed above, and our improved performance, our Compensation Committee decided to significantly increase the value of the bonus awards to our NEOs. The Committee recognized our NEOs' prudent management efforts in a challenging environment, and believed that significant restricted stock awards were appropriate to recognize those efforts and retain their services.

Upon our CEO's recommendation, other than for himself, our Compensation Committee made the following awards for fiscal 2010:

- Mr. J. Cohen was awarded 138,504 shares of restricted stock for fiscal 2010, as compared to 57,803 shares of restricted stock for fiscal 2009.
- Mr. Blomstrom was awarded 82,987 shares of restricted stock for fiscal 2010, as compared to 14,450 shares of restricted stock for fiscal 2009.
- Mr. Bloom was awarded 27,662 shares of restricted stock for fiscal 2010, as compared to 19,267 shares of restricted stock for fiscal 2009. See "- Elements of Our Compensation Program-Supplemental Incentive Arrangements with David Bloom."
- Mr. Brotman was awarded 83,102 shares of restricted stock for fiscal 2010, as compared to 19,267 shares of restricted stock for fiscal 2009.
- Mr. Bryant was awarded 27,662 shares of restricted stock for fiscal 2010, as compared to 19,267 shares of restricted stock for fiscal 2009. Mr. Bryant was also awarded 3,654 shares of restricted Resource America stock for fiscal 2010, as compared to 5,980 shares of restricted Resource America stock for fiscal 2009.

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Report of the Compensation Committee

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on its review and discussions, the compensation committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this filing.

This report has been provided by the compensation committee of the Board of Directors of Resource Capital Corp.

Walter T. Beach, Chairman
Murray S. Levin
P. Sherrill Neff

The following table sets forth certain information concerning the compensation earned for fiscal 2010, 2009 and 2008 for our NEOs:

SUMMARY COMPENSATION

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(2)	All Other Compen-sation ($)(3)	Total ($)
Jonathan Z. Cohen	2010	–	–	999,999	–	–	999,999
Chief Executive Officer,	2009	–	–	299,998	–	–	299,998
President and Director	2008	–	–	–	–	–	–
David J. Bryant	2010	240,000(1)	200,000(1)	199,996	–	24,993	664,990
Senior Vice President,	2009	240,000(1)	140,000(1)	99,996	–	24,996	504,992
Chief Financial Officer, Chief Accounting Officer and Treasurer	2008	240,000(1)	120,000(1)	49,999	–	15,425	425,424
Jeffrey D. Blomstrom	2010	–	–	599,996	–	–	599,996
Senior Vice President	2009	–	–	74,996	–	–	74,996
	2008	–	–	–	–	–	–
David E. Bloom	2010	–	–	199,996	–	10,000	209,996
Senior Vice President–,	2009	–	–	99,996	–	35,000	134,996
Real Estate Investments	2008	–	–	151,777	–	80,400	232,177
Jeffrey F. Brotman	2010	–	–	599,996	–	–	599,996
Executive Vice President	2009	–	–	99,996	–	–	99,996
	2008	–	–	–	–	–	–

(1) Mr. Bryant's salary and bonus were paid by Resource America. We began to reimburse Resource America for Mr. Bryant's salary and bonus in October 2009. Amounts represent salary and bonus earned for the years indicated, but may not have been paid in full in the respective years.

(2) Grant date fair value, valued in accordance with FASB Accounting Standards Codification Topic 718 as the closing price of our common stock on the grant date.

(3) 2010 amount represents award of Resource America restricted stock earned during 2010, valued at closing price of Resource America common stock on the date of the grant in February 2010. 2008 amount represents award of options to purchase Resource America restricted common stock. The grant date fair value is $3.09 per option, using the Black-Scholes option pricing model to estimate the fair value of each option granted with assumptions for (a) expected dividend yield of 3.4%, (b) risk-free interest rate of 3.8%, (c) expected volatility of 49.5%, and (d) an expected life of 6.3 years.

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GRANTS OF PLAN-BASED AWARDS TABLE

During 2010, we made restricted stock awards to our NEOs. The following table sets forth information with respect to each of these awards on a grant-by-grant basis.

Name	Grant date	All other stock awards: number of shares of stock (#)	All other option awards: number of securities underlying options (#)	Exercise or base price of option awards ($/Sh)	Grant date fair value of stock and option awards ($)[1]
Jonathan Cohen					
Our restricted stock	01/22/10	57,803			299,998
David J. Bryant					
Our restricted stock	01/22/10	19,267			99,996
Resource America restricted stock	02/10/10	5,980			24,996
David E. Bloom					
Our restricted stock	01/22/10	19,267			99,996

(1) Based on the closing price of our stock on the respective grant date with the exception of Mr. Bryant's Resource America stock grant which was valued based on the closing price of Resource America's stock on the respective grant date.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)**
Jonathan Z. Cohen	100,000	–	–	15.00	03/07/15	57,803	426,586	–	–
David J. Bryant	10,000	–	–	15.00	03/07/15	23,763	175,371	–	–
	–	5,000(2)		8.14	05/21/18	6,100(3)	41,846(3)	–	–
David E. Bloom	100,000	–	–	15.00	03/07/15	67,561	498,600	–	–

(1) Based on the closing price of our common stock $7.38 on December 31, 2010.
(2) Represents options to purchase shares of Resource America common stock that vest ¼ on each anniversary date through May 21, 2012.
(3) Represents shares of Resource America common stock. Based upon a price of $6.86, the price of Resource America's common stock on December 31, 2010.

2010 OPTION EXERCISES AND STOCK VESTED

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($) (1)**
Jonathan Z. Cohen	7,265	36,688
David J. Bryant (our stock)	28,211	170,934
(Resource America stock)	460	2,197
David E. Bloom	36,766	220,140

(1) Represents the per share market value of our common stock on vesting date multiplied by the number of shares vesting.

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Director Compensation

The following table sets forth director compensation for each of our independent directors and the Chairman of our Board of Directors for 2010.

Name [1]	Fees Earned or Paid in Cash ($)	Stock Awards ($) [2]	Total ($)
Walter T. Beach	52,500	22,498	74,998
William B. Hart	52,500	22,498	74,998
Murray S. Levin	52,500	22,498	74,998
P Sherrill Neff	52,500	22,498	74,998
Gary Ickowicz	52,500	22,497	74,997
Edward E. Cohen	–	–	–
Steven J. Kessler [3]	–	99,996	99,996

(1) Table excludes Mr. J. Cohen, an NEO, whose compensation is set forth in the Summary Compensation Table.

(2) On March 8, 2010, Messrs. Beach, Hart, Levin and Neff, were each granted 3,214 shares based upon a price of $7.00, the closing price on that day. On February 1, 2010, Mr. Ickowicz, was granted 4,083 shares based upon a price of $5.51, the closing price on that day.

(3) We do not compensate our non-independent directors for their service on our Board. However, in fiscal 2010, we reimbursed RAI $323,000 for Mr. Kessler's compensation and related business expenses, since Resource America employs Mr. Kessler but he devotes substantially all of his business time to his service as our Chairman. In addition, Mr. Kessler received a stock award from the Company valued at approximately $100,000 in January 2010.

Compensation Committee Interlocks and Insider Participation

The compensation committee of the board during 2010 consisted of Messrs. Beach, Levin and Neff. None of such persons was an officer or employee, or former officer or employee, of our company or any of its subsidiaries during 2010. None of our executive officers was a director or executive officer of any entity of which any member of the compensation committee was a director or executive officer during 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The following table sets forth the number and percentage of shares of common stock owned, as of March 8, 2011, by (a) each person who, to our knowledge, is the beneficial owner of more than 5% of the outstanding shares of common stock, (b) each of our present directors, (c) each of our executive officers and (d) all of our named executive officers and directors as a group. This information is reported in accordance with the beneficial ownership rules of the Securities and Exchange Commission under which a person is deemed to be the beneficial owner of a security if that person has or shares voting power or investment power with respect to such security or has the right to acquire such ownership within 60 days. Shares of common stock issuable pursuant to options or warrants are deemed to be outstanding for purposes of computing the percentage of the person or group holding such options or warrants but are not deemed to be outstanding for purposes of computing the percentage of any other person.

	Shares beneficially owned	Percentage[1]
Executive officers and directors: [2]		
Walter T. Beach [4] [5]	1,049,032	1.80%
Edward E. Cohen [3]	574,120	*
Jonathan Z. Cohen [3]	933,163	1.60%
William B. Hart [5]	34,416	*
Gary Ickowicz [5]	16,996	*
Steven J. Kessler [3]	98,919	*
Murray S. Levin [5]	28,416	*
P. Sherrill Neff [5]	34,416	*
Jeffrey D. Blomstrom [3]	119,263	*
David E. Bloom [3]	248,024	*
Jeffrey F. Brotman [3]	102,369	*
David J. Bryant [3]	104,460	*
All executive officers and directors as a group (12 persons)	3,343,594	5.72%

* Less than 1%.

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(1) Includes 255,000 shares of common stock issuable upon exercise of stock options.

(2) The address for all of our executive officers and directors is c/o Resource Capital Corp., 712 Fifth Avenue, 12th Floor, New York, New York 10019.

(3) Includes restricted stock awards granted to certain officers and directors as follows: (i) on December 26, 2007: 60,000 shares to Mr. Bloom; 15% of these shares vested on each of June 30, 2008 and June 30, 2009 and 70% vested on March 9, 2011; (ii) on January 14, 2008: Mr. Blomstrom – 10,787 shares; Mr. Bloom – 18,878 shares; Mr. Bryant – 13,484 shares; Mr. E. Cohen – 10,787 shares; and Mr. Kessler – 5,393 shares; all these shares vest 33.33% per year; (iii) on January 22, 2010: Mr. Blomstrom – 14,450 shares, Mr. Bloom – 19,267 shares; Mr. Brotman – 19,267 shares; Mr. Bryant – 19,267 shares; Mr. J. Cohen – 57,803 shares; and Mr. Kessler – 19,267 shares; all these shares vest 33.33% per year; (iv) on January 26, 2011; Mr. Brotman – 83,102 shares; Mr. J. Cohen – 138,504 shares, and Mr. Kessler – 13,850 shares; and (v) on February 8, 2011; Mr. Blomstrom – 82,987 shares; Mr. Bloom – 27,662 shares; and Mr. Bryant – 27,662 shares; all these shares vest 100% in three years.. Each such person has the right to receive distributions on and vote, but not to transfer, such shares.

(4) Includes (i) 1,013,478 shares purchased by Beach Asset Management, LLC, Beach Investment Counsel, Inc. and/or Beach Investment Management, LLC, investment management firms for which Mr. Beach is a principal and possesses investment and/or voting power over the shares. The address for these investment management firms is Five Tower Bridge, 300 Barr Harbor Drive, Suite 220, West Conshohocken, Pennsylvania 19428.

(5) Includes (i) 3,020 shares of restricted stock issued to each of Messrs Beach, Hart, Levin and Neff on March 8, 2011 which vest on March 8, 2012; and (ii) 3,120 shares of restricted stock issued to Mr. Ickowicz on February 1, 2011, which vest on February 1, 2012. Each non-employee director has the right to receive distributions on and vote, but not to transfer, such shares.

Equity Compensation Plan Information

The following table summarizes certain information about our 2005 Stock Incentive Plan and 2007 Omnibus Equity Compensation Plan as of December 31, 2010

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)**
Equity compensation plans approved by security holders:			
Options	602,666	$ 14.99	
Total	1,137,623		1,237,789 (1) (2)

(1) Upon the July 2006 hiring of certain significant employees of the Manager, we agreed to pay up to 100,000 shares of restricted stock and 100,000 options to purchase restricted stock upon the achievement of certain performance thresholds, the first of which was met in June 2007 and, as a result, 60,000 shares of restricted stock and 60,000 options to purchase restricted stock were issued at that time. As of December 31, 2010, 40,000 shares of restricted stock and 40,000 options to purchase restricted stock are unissued. These shares and options to purchase restricted stock, which have been reserved for future issuance under the plans, have been deducted from the number of securities remaining available for future issuance. See Item 8, “Financial Statements and Supplementary Data” at Note 12 for a more detailed discussion.

(2) We agreed to award certain personnel up to 132,683 shares of restricted stock upon the achievement of certain performance thresholds. During the year ended December 31, 2010, 95,183 of those shares were forfeited. The remaining 37,500 shares, which have been reserved for future issuance under the plans, have been deducted from the number of securities remaining available for future issuance.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Relationships and Related Transactions

We have entered into a management agreement under which the Manager receives substantial fees. We describe these fees in Item 1 − "Business − Management Agreement." For the year ended December 31, 2010, Resource Capital Manager, or the Manager, earned base management fees of approximately $5.4 million and incentive compensation fees of $4.4 million (including $1.1 million paid in the form of 182,660 shares of common stock). We also reimburse the Manager for financial services expense, rent and other expenses incurred in the performance of its duties under the management agreement. Pursuant to an amendment to the management agreement on October 16, 2009, the Manager must provide us with a Chief Financial Officer and three accounting professionals, each of whom will be exclusively dedicated to our operations. The Manager will also provide us with a director of investor relations who will be 50% dedicated to our operations. The amendment provides that we will bear 100% of the expense of the wages, salaries and benefits of the Chairman, Chief Financial Officer and three accounting professionals and 50% of the salary and benefits of the director of investor relations. For the years ended December 31, 2010 and 2009, we paid aggregate reimbursements to the Manager of $1.8 million and $664,000, respectively. In addition, we are required to reimburse the Manager and Resource America for expenses for employees of Resource America who perform legal, accounting, due diligence and other services that outside professionals or consultants would otherwise perform. No such expense reimbursements were made in the year ended December 31, 2010. As of December 31, 2010, we had executed seven CDO transactions, which were structured for us by the Manager. The Manager was not separately compensated by us for executing these transactions and is not separately compensated by us for managing the CDO entities and their assets.

Resource America, entities affiliated with it and our executive officers and directors collectively beneficially own 5,788,415 shares of common stock, representing approximately 10% of our common stock on a fully-diluted basis. Our executive officers are also officers of our Manager and/or of Resource America or its subsidiaries.

LEAF Financial Corp. a majority-owned subsidiary of Resource America, originates and manages our equipment lease and note investments. We purchase these investments from LEAF Financial at a price equal to their book value plus a reimbursable origination cost not to exceed 1% to compensate LEAF Financial for its origination costs. In addition, we pay LEAF Financial an annual servicing fee, equal to 1% of the book value of managed assets, for servicing our equipment lease investments. During the year ended December 31, 2010, we paid LEAF Financial Corp. $87,000 in annual servicing fees.

On May 27, 2010, we closed a $120.0 million securitization adding to our existing lease receivables. The securitization, LEAF Funding 3, issued equipment-backed securitized notes at a weighted average discounted price of 93.6%. At closing, $14.4 million of proceeds were placed into a restricted account. As of September 30, 2010, all proceeds related to the commitment have been funded. We had $21.0 million of equity invested in LEAF Funding 3 as of December 31, 2010.

On November 24, 2010, we entered into an Investment Management Agreement with Resource Capital Markets, Inc. ("RCM"), a wholly-owned subsidiary of Resource America, which encompassed the following: (a) RCM may invest up to $5.0 million and the investable amount may be adjusted by portfolio gains/losses, collections and offset by expenses, taxes and realized management fees, and (b) RCM can earn a management fee in any year that the net profits earned exceed the preferred return, the fee basis is 20% of the amount of the net profits exceed the preferred returns. During the year ended December 31, 2010, RCM earned $1.5 million in management fees associated with realized profits and $1.9 million in management fees associated with unrealized profits. RCM commenced trading in June 2010 in these privately issued securities through our TRS upon the conceptual approval of the investment by our Board. We have since reinvested gains from this activity and hold $17.7 million of these trading securities, at fair market value as of December 31, 2010. In addition, we have established an escrow account with RCM that allocates the net profit or net losses of the portfolio on a yearly basis based on the net asset value of the account established by Resource TRS. This account provides an additional incentive to RCM to generate net profits during any year and provides us a return on any possible net losses, if any were to occur during any subsequent calendar year. During the year ended December 31, 2010, RCM earned $438,000 as their share of the net profits as defined in the agreement.

On March 5, 2010, we entered into agreements with LEASE Equity Appreciation Fund II LP ("LEAF II"), that provide an $8.0 million credit facility to LEAF II, of which all $8.0 million was funded on March 31, 2010, for a one year term at 12% payable quarterly, with a 1% loan origination fee which is secured by all assets of LEAF II, including its entire ownership interest in LEAF II Receivables Funding, LLC. The note originally matured on March 3, 2011 but has been extended until June 3, 2011 with a 1% extension fee on the current outstanding loan balance. The loan amount outstanding at December 31, 2010 was $7.9 million.

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On January 15, 2010, we loaned $2.0 million to Resource Capital Partners, Inc. so that it could acquire a 5.0% limited partnership interest in Resource Real Estate Opportunity Fund, L.P. The loan is secured by Resource Capital Partner's partnership interest in the Resource Real Estate Opportunity Fund, L.P. The promissory note bears interest at a fixed rate of 8.0% per annum on the unpaid principal balance. In the event of default, interest will accrue and be payable at a rate of 5.0% in excess of the fixed rate. Interest is payable quarterly. Mandatory principal payments must also be made to the extent distributable cash or other proceeds from the partnership represents a return of Resource Capital Partners, Inc.'s capital. The loan matures on January 14, 2015, with Resource Capital Partners, Inc. having options to extend the loan for two additional 12-month periods each.

Until 1996, director Edward E. Cohen, a director who was our Chairman from our inception until November 2009, was of counsel to Ledgewood, P.C., a law firm. In addition, one of our executive officers, Jeffrey F. Brotman, was employed by Ledgewood until 2007. For the year ended December 31, 2010, we paid Ledgewood $311,000 for legal services. Mr. Cohen receives certain debt service payments from Ledgewood related to the termination of his affiliation with the firm and its redemption of his interest in the firm. For the year ended December 31, 2010, those payments were $50,000. Mr. Brotman also receives certain debt service payments from Ledgewood related to the termination of his affiliation with the firm. For the year ended December 31, 2010, those payments were $5,000.

Policies and Procedures Regarding Related Transactions

Under our Management Agreement with the Manager and Resource America, we have established policies regarding the offer of potential investments to us, our acquisition of those investments and the allocation of those investments among other programs managed by the Manager or Resource America. We have also established policies regarding investing in investment opportunities in which the Manager or Resource America has an interest and regarding investing in any investment fund or CDO structured, co-structured or managed by the Manager or Resource America.

The Manager and Resource America must offer us the right to consider all investments they identify that are within the parameters of our investment strategies and policies. For all potential investments other than in equipment leases and notes, if the Manager and Resource America identify an investment that is appropriate both for us and for one or more other investment programs managed by them, but the amount available is less than the amount sought by all of their investment programs, they will allocate the investment among us and such other investment programs in proportion to the relative amounts of the investment sought by each. If the portion of the investment allocable to a particular investment program would be too small for it to be appropriate for that investment program, either because of economic or market inefficiency, regulatory constraints (such as REIT qualification or exclusion from regulation under the Investment Company Act) or otherwise, that portion will be reallocated among the other investment programs. Investment programs that do not receive an allocation will have preference in future investments where investment programs are seeking more of the investment than is available so that, on an overall basis, each investment program is treated equitably.

To equitably allocate investments that the Manager or Resource America has acquired at varying prices, the Manager and Resource America will allocate the investment so that each investment program will pay approximately the same average price.

With respect to equipment leases and notes, if an investment is appropriate for more than one investment program, including us, the Manager and Resource America will allocate the investment based on the following factors:

- which investment program has been seeking investments for the longest period of time;
- whether the investment program has the cash required for the investment;
- whether the amount of debt to be incurred with respect to the investment is acceptable for the investment program;
- the effect the investment will have on the investment program's cash flow;
- whether the investment would further diversify, or unduly concentrate, the investment program's investments in a particular lessee, class or type of equipment, location or industry; and
- whether the term of the investment is within the term of the investment program.

The Manager and Resource America may make exceptions to these general policies when other circumstances make application of the policies inequitable or uneconomic.

The Manager has also instituted policies designed to mitigate potential conflicts of interest between it and us, including:

- We will not be permitted to invest in any investment fund or CDO structured, co-structured or managed by the Manager or Resource America other than those structured, co-structured or managed on our behalf. The Manager and Resource America will not receive duplicate management fees from any such investment fund or CDO to the extent we invest in it.

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- We will not be permitted to purchase investments from, or sell investments to, the Manager or Resource America, except that we may purchase investments originated by those entities within 60 days before our investment.

Except as described above or provided for in our management agreement with the Manager and Resource America, we have not adopted a policy that expressly prohibits transactions between us or any of our directors, officers, employees, security-holders or affiliates. However, our code of business conduct and ethics prohibits any transaction that involves an actual or potential conflict except for transactions permitted under guidelines which may be adopted by our Board of Directors. No such guidelines have been adopted as of the date of this report. In addition, our Board of Directors may approve a waiver of the code of ethics and business conduct for a specific transaction, which must be reported to our stockholders to the extent required by applicable law or NYSE rule. No such waivers have been granted through the date hereof.

Director Independence

Our common stock is listed on the NYSE and, as a result, we are subject to its listing standards. The board of directors has determined that Messrs. Beach, Hart, Ickowicz, Levin and Neff each satisfy the requirement for independence set out in Section 303A.02 of the rules of the NYSE and that each of these directors has no material relationship with us (other than being a director and/or a stockholder). There are no directors who are not independent who serve on the compensation, nominating, or audit committees of our board of directors. There are no directors who are not independent within applicable NYSE rules who serve on the compensation, nominating or audit committees of our board of directors. In making its independence determinations, the board of directors sought to identify and analyze all of the facts and circumstances relating to any relationship between a director, his immediate family or affiliates and our company and our affiliates and did not rely on categorical standards other than those contained in the NYSE rule referenced above.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate fees billed by our independent auditors, Grant Thornton LLP, for professional services rendered for the audit of our annual financial statements for the years ended December 31, 2010 and 2009 (including a review of internal controls for 2010 and 2009 as required under Section 404 of the Sarbanes-Oxley Act of 2002) and for the reviews of the consolidated financial statements included in our Quarterly Reports on Form 10-Q during each of the years then ended were $499,000 and $617,000, respectively.

The aggregate fees billed by Grant Thornton LLP for audit services in connection with the filing of our registration statements with the Securities and Exchange Commission were approximately $79,000 and $117,000 for the years ended December 31, 2010 and 2009, respectively.

Audit-Related Fees

The aggregate fees billed by Grant Thornton LLP for audit-related services, including consulting on accounting issues were $0 and $0 for the years ended December 31, 2010 and 2009, respectively.

Tax Fees

There were $28,000 and $0 fees paid to Grant Thornton LLP for professional services related to tax compliance, tax advice or tax planning for the years ended December 31, 2010 and 2009.

All Other Fees

We did not incur fees in 2010 and 2009 for other services not included above.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at December 31, 2010 and 2009
Consolidated Statements of Operation for the years ended December 31, 2010, 2009 and 2008
Consolidated Statements of Changes in Stockholders' Equity for years ended December 31, 2010, 2009 and 2008
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008
Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Schedule II –Valuation and Qualifying Accounts
Schedule IV − Mortgage Loans on Real Estate

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3. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Resource Capital Corp. [1]
3.2	Amended and Restated Bylaws of Resource Capital Corp. [1]
4.1	Form of Certificate for Common Stock for Resource Capital Corp. [1]
4.2(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated May 25, 2006. [2]
4.2(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. [6]
4.3(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated May 25, 2006. [2]
4.3(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. [6]
4.4	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. [6]
4.5(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated September 29, 2006. [3]
4.5(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. [6]
4.6(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated September 29, 2006. [3]
4.6(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. [6]
4.7	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. [6]
10.1(a)	Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 30, 2008. [4]
10.1(b)	First Amendment to Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 30, 2008. [5]
10.1(c)	Second Amendment to Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of August 17, 2010. [8]
10.2	Transfer and Contribution Agreement by and among LEAF Financial Corporate, Resource TRS, Inc., Resource Capital Corp. and LEAF Commercial Capital, Inc. dated January 4, 2011 [9]
10.3(a)	Master Repurchase and Securities Contract by and among RCC Commercial, Inc., RCC Real Estate Inc. and Wells Fargo Bank, National Association, dated February 1, 2011.
10.3(b)	Guarantee Agreement made by Resource Capital Corp. in favor of Wells Fargo Bank, National Association, dated February, 1, 2011.
10.4	2005 Stock Incentive Plan. [1]
10.5	2007 Omnibus Equity Compensation Plan. [7]
21.1	List of Subsidiaries of Resource Capital Corp.
23.1	Consent of Grant Thornton LLP
31.1	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350.
32.2	Certification Pursuant to 18 U.S.C. Section 1350.

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(1) Filed previously as an exhibit to the Company's registration statement on Form S-11, Registration No. 333-126517.

(2) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

(3) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

(4) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on July 3, 2008.

(5) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 20, 2009.

(6) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.

(7) Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

(8) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on August 19, 2010.

(9) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on January 6, 2011.

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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 hereunto duly authorized.

RESOURCE CAPITAL CORP. (Registrant)

March 14, 2011

By: /s/ Jonathan Z. Cohen
Jonathan Z. Cohen
Chief Executive Officer and President

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.

Signature	Title	Date
/s/ Steven J. Kessler STEVEN J. KESSLER	Chairman of the Board	March 14, 2011
/s/ Jonathan Z. Cohen JONATHAN Z. COHEN	Director, President and Chief Executive Officer	March 14, 2011
/s/ Walter T. Beach WALTER T. BEACH	Director	March 14, 2011
/s/ Edward E. Cohen EDWARD E. COHEN	Director	March 14, 2011
/s/ William B. Hart WILLIAM B. HART	Director	March 14, 2011
/s/ Gary Ickowicz GARY ICKOWICZ	Director	March 14, 2011
/s/ Murray S. Levin MURRAY S. LEVIN	Director	March 14, 2011
/s/ P. Sherrill Neff P. SHERRILL NEFF	Director	March 14, 2011
/s/ David J. Bryant DAVID J. BRYANT	Senior Vice President Chief Financial Officer, Chief Accounting Officer and Treasurer	March 14, 2011

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SCHEDULE II
Resource Capital Corp.
Valuation and Qualifying Accounts
(dollars in thousands)

	Balance at beginning of period	Charge to expense	Write-offs	Recoveries	Balance at end of period
Allowance for loan and lease loss:					
Year Ended December 31, 2010	$ 48,262	$ 43,321	$ (57,330)	$ 50	$ 34,303
Year Ended December 31, 2009	$ 44,317	$ 61,383	$ (57,450)	$ 12	$ 48,262
Year Ended December 31, 2008	$ 5,918	$ 46,160	$ (7,761)	$ -	$ 44,317

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SCHEDULE IV
Resource Capital Corp.
Mortgage Loans on Real Estate
As of December 31, 2010
(Dollars in thousands)

Type of Loan/ Borrower	Description/ Location	Interest Payment Rates	Final Maturity Date	Periodic Payment Terms (1)	Prior Liens (2)	Face Amount of Loans (3)	Net Carrying Amount of Loans
Whole Loans:							
Borrower A	Hotel/ Palm Springs, CA	LIBOR + 4.40%	01/05/2018	I/O	–	$ 20,800	$ 20,475
Borrower B	Multi-Family/ Renton, WA	LIBOR + 3.50%	01/10/2012	I/O	–	30,850	30,303
Borrower C	Hotel/ Tucson, AZ	LIBOR + 3.50%	12/01/2016	I/O	–	30,500	30,023
Borrower D-1	Hotel/ Los Angeles, CA	LIBOR + 3.00%	06/05/2011	I/O (4)	–	28,000	20,700
Borrower D-2	Hotel/ Los Angeles, CA	LIBOR + 3.00%	06/05/2011	I/O (4)	–	7,550	–
Borrower E	Multi-Family/ Northglenn, CO	LIBOR + 3.00%	03/05/2012	I/O	–	28,000	27,562
Borrower F-1	Retail/ Hayward, CA	LIBOR + 2.50%	01/05/2012	I/O (5)	–	23,000	22,640
Borrower F-2	Retail/ Hayward, CA	LIBOR + 2.50%	01/05/2012	I/O (5)	–	1,295	1,272
Borrower G-1	Multi-Family/ San Francisco, CA	LIBOR + 3.65%	02/08/2017	I/O (6)	–	15,593	15,349
Borrower G-2	Multi-Family/ San Francisco, CA	LIBOR + 3.65%	02/08/2017	I/O (6)	–	5,857	5,754
Borrower H	Hotel/ Studio City, CA	LIBOR + 3.20%	02/05/2010	I/O	–	25,050	24,648
Borrower I	Land/ Studio City, CA	LIBOR + 2.95%	02/05/2010	I/O	–	26,150	25,729
Borrower J	Multi-Family/ Memphis, TN	LIBOR + 2.75%	05/09/2011	I/O	–	22,400	22,050
Borrower K	Hotel Miami, FL	LIBOR + 3.75%	09/09/2011	I/O	–	21,000	20,672
All other Whole Loans individually less than 3%						155,661	152,030
Total Whole Loans						441,706	419,207
Mezzanine Loans:							
Borrower J	Hotel/ Various	LIBOR + 2.85%	05/9/2010	I/O	–	38,072	37,477
All other Mezzanine Loans individually less than 3%						84,085	76,215
Total Mezzanine Loans						122,157	113,692
B Notes:							
All other B Notes individually less than 3%						57,613	56,553
Total B Notes						57,613	56,553
Total Loans						$ 621,476	$ 589,452

(1) IO means interest only.

(2) Represents only Third Party Liens

(3) Does not include unfunded commitments.

(4) Borrower D is a whole loan and the participations above represent the Senior (D-1) and Mezzanine (D-2) portions.

(5) Borrower F is a whole loan and the participations above represent the Senior (F-1) and Mezzanine (F-2) portions.

(6) Borrower G is a whole loan and the participations above represent the Senior (G-1) and Mezzanine (G-2) portions.

(7) All loans are current with respect to principal and interest payments due.

(8) The net carrying amount of loans includes an allowance for loan loss of $31.6 million at December 31, 2010 allocated as follows: Whole Loans ($22.2 million); Mezzanine Loans ($8.5 million) and B Notes ($899,000).

Exhibit 10.3(a)

EXECUTION VERSION

THIS MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of February 1, 2011 (this "Agreement"), is made by and among **RCC COMMERCIAL, INC.** a Delaware corporation, **RCC REAL ESTATE, INC.,** a Delaware corporation (individually and collectively, "Seller"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association (as more specifically defined below, "Buyer"). Seller and Buyer (each, a "Party") hereby agree as follows:

ARTICLE 1

APPLICABILITY

Section 1.01 Applicability. Subject to the terms and conditions of the Repurchase Documents, from time to time during the Funding Period and at the request of Seller, the Parties may enter into transactions pursuant to which Seller agrees to sell, transfer and assign to Buyer certain Assets and all related rights in and interests related to such Assets on a servicing released basis, against the transfer of funds by Buyer representing the Purchase Price for such Assets, with a simultaneous agreement by Buyer to transfer to Seller and Seller to repurchase such Assets in a repurchase transaction at a date not later than the Facility Termination Date, against the transfer of funds by Seller representing the Repurchase Price for such Assets.

ARTICLE 2

DEFINITIONS AND INTERPRETATION

"Accelerated Repurchase Date": Defined in Section 10.02.

"Additional Amount": Defined in Section 12.06(a).

"Affiliate": With respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with, such Person.

"Affiliated Hedge Counterparty": Buyer, or an Affiliate of Buyer, in its capacity as a party to any Interest Rate Protection Agreement with Seller.

"Agreement": Defined in the preamble hereof.

"Alternative Rate": A per annum rate based on an index approximating the behavior of LIBOR, as reasonably determined by Buyer.

"Anti–Terrorism Laws": Any Requirements of Law relating to money laundering or terrorism, including Executive Order 13224 signed into law on September 23, 2001, the regulations promulgated by the Office of Foreign Assets Control of the Treasury Department, and the Patriot Act.

"Applicable Percentage": Defined in the Fee Letter, which definition is incorporated by reference herein.

"Asset": Any CMBS.

"Asset Documents": With respect to any Purchased Asset those documents executed in connection with, evidencing or governing such Purchased Asset.

"Assignment and Acceptance": Defined in Section 18.08(c).

"Bankruptcy Code": Title 11 of the United States Code, as amended.

"Book Value": For any Purchased Asset as of any date, an amount, as certified by Seller in the related Confirmation, equal to the lesser of (a) the outstanding principal amount or par value thereof as of such date, and (b) the price that Seller initially paid or advanced in respect thereof plus any additional amounts advanced by Seller minus Principal Payments received by Seller and as further reduced by losses realized and write-downs taken by Seller.

"Business Day": Any day other than (a) a Saturday or a Sunday, (b) a day on which banks in the States of New York, California or North Carolina are authorized or obligated by law or executive order to be closed, (c) any day on which the New York Stock Exchange, the Federal Reserve Bank of New York or Custodian is authorized or obligated by law or executive order to be closed, or (d) if the term "Business Day" is used in connection with the determination of LIBOR, a day dealings in Dollar deposits are not carried on in the London interbank market.

"Buyer": Wells Fargo Bank, National Association, in its capacity as Buyer under this Agreement and the other Repurchase Documents.

"Buyer's Margin Percentage": For any Purchased Asset as of any date, the percentage equivalent of the quotient obtained by dividing one (1) by the Applicable Percentage used to calculate the Purchase Price on the related Purchase Date.

"Capital Lease Obligations": With respect to any Person, the amount of all obligations of such Person to pay rent or other amounts under a lease of property to the extent and in the amount that such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP.

"Capital Stock": Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent equity ownership interests in a Person which is not a corporation, including, without limitation, any and all member or other equivalent interests (certificated or uncertificated) in any limited liability company, and any and all partnership or other equivalent interests in any partnership or limited partnership, and any and all warrants or options to purchase any of the foregoing.

"Change of Control": The occurrence of any of the following events: (a) prior to an internalization of management by Guarantor, if Manager is no longer the manager of Guarantor; (b) after such time as Guarantor is internally managed, if any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of

thirty-five percent (35%) or more of the total voting power of all classes of Equity Interests of Guarantor entitled to vote generally in the election of the directors, (c) prior to an internalization of management by Guarantor, any change in Control of Manager from the Person or Persons who are directly or indirectly Controlling such entity on the date hereof, or (d) Guarantor shall cease to own and control, of record and beneficially one-hundred percent (100%) of the Equity Interests of Seller. Notwithstanding the foregoing, Buyer shall not be deemed to approve or to have approved any internalization of management by Guarantor as a result of this definition or any other provision herein, other than to the extent actually approved pursuant to Section 8.13 or Section 10.01(g).

"Closing Certificate": means, collectively, (i) a certificate in the form of Exhibit B-1, executed by a Responsible Officer of Guarantor and (ii) a certificate in the form of Exhibit B-2, executed by a Responsible Officer of Seller.

"Closing Date": February 1, 2011.

"CMBS": Pass-through certificates representing beneficial ownership interests in one or more first lien mortgage loans secured by commercial and/or multifamily properties.

"Code": The Internal Revenue Code of 1986, as amended.

"Compliance Certificate": A certificate in the form of Exhibit C, executed by a Responsible Officer of Guarantor.

"Confirmation": A purchase confirmation in the form of Exhibit A, duly completed, executed and delivered by Seller and Buyer in accordance with Section 3.01.

"Contingent Liabilities": With respect to any Person as of any date, all of the following as of such date: (a) liabilities and obligations (including any Guarantee Obligations) of such Person in respect of "off–balance sheet arrangements" (as defined in the Off–Balance Sheet Rules defined below in this definition), (b) obligations, including Guarantee Obligations, whether or not required to be disclosed in the footnotes to such Person's financial statements, guaranteeing in whole or in part any Non–Recourse Indebtedness, lease, dividend or other obligation, excluding, however (i) contractual indemnities (including any indemnity or price–adjustment provision relating to the purchase or sale of securities or other assets) and (ii) guarantees of non–monetary obligations that have not yet been called on or quantified, of such Person or any other Person, and (c) forward commitments or obligations to fund or provide proceeds with respect to any loan or other financing that is obligatory and non–discretionary on the part of the lender. The amount of any Contingent Liabilities described in the preceding clause (b) shall be deemed to be (i) with respect to a guarantee of interest or interest and principal, or operating income guarantee, the sum of all payments required to be made thereunder (which, in the case of an operating income guarantee, shall be deemed to be equal to the debt service for the note secured thereby), through (x) in the case of an interest or interest and principal guarantee, the stated date of maturity of the obligation (and commencing on the date interest could first be payable thereunder), or (y) in the case of an operating income guarantee, the date through which such guarantee will remain in effect, and (ii) with respect to all guarantees not covered by the preceding clause (i), 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

(assuming such Person is required to perform thereunder) as recorded on the balance sheet and in the footnotes to the most recent financial statements of such Person. "Off–Balance Sheet Rules" means the Disclosure in Management's Discussion and Analysis About Off–Balance Sheet Arrangements and Aggregate Contractual Obligations, Securities Act Release Nos. 33–8182; 34–47264; FR–67 International Series Release No. 1266 File No. S7–42–02, 68 Fed. Reg. 5982 (Feb. 5, 2003) (codified at 17 CFR Parts 228, 229 and 249).

"Contractual Obligation": With respect to any Person, any provision of any securities issued by such Person or any indenture, mortgage, deed of trust, deed to secure debt, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property or assets are bound or are subject.

"Control": With respect to any Person, the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling," "Controlled" and "under common Control" have correlative meanings.

"Current Mark-to-Market Value": For any Purchased Asset as of any date, the market value for such Purchased Asset as of such date as determined by Buyer taking into account such criteria as and to the extent that Buyer deems appropriate, including as appropriate current interest rates, spreads and other market conditions, credit quality, liquidity of position, eligibility for inclusion in structured finance or securitization transactions, subordination, delinquency status and aging and any amounts owing to or by Buyer or an Affiliated Hedge Counterparty under any related Interest Rate Protection Agreement, which market value, in each case, may be determined to be zero.

"Custodial Agreement": The Custodial Agreement, dated as of the date hereof, among Buyer, Seller and Custodian, substantially in the form of Exhibit E.

"Custodian": Wells Fargo Bank, National Association, or any successor permitted by the Custodial Agreement.

"Default": Any event that, with the giving of notice or the lapse of time, or both, would become an Event of Default.

"Default Rate": As of any date, the Pricing Rate in effect on such date plus 400 basis points (4.00%), determined after any Repurchase Date on the basis of periods corresponding to Pricing Periods.

"Derivatives Contract": Any rate swap transaction, basis swap, credit derivative transaction, forward rate transaction, commodity swap, commodity option, forward commodity contract, equity or equity index swap or option, bond or bond price or bond index swap or option or forward bond or forward bond price or forward bond index transaction, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross–currency rate swap transaction, currency option, spot contract, or any other similar transaction or

any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, including any obligations or liabilities thereunder.

"Derivatives Termination Value": With respect to any one or more Derivatives Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Derivatives Contracts, (a) for any date on or after the date such Derivatives Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in the preceding clause (a), the amount(s) determined as the mark–to–market value(s) for such Derivatives Contracts, as determined based on one or more mid–market or other readily available quotations provided by any nationally recognized dealer in such Derivatives Contracts (which may include Buyer).

"Dollars" and "$": Lawful money of the United States of America.

"Early Repurchase Date": Defined in Section 3.04.

"Eligible Asset": An Asset:

(a) that has been approved as a Purchased Asset by Buyer;

(b) with respect to which no Representation Breach exists;

(c) that was acquired for cash by Seller from a Transferor that was not an Affiliate of Seller in an arms-length transaction at the time of the related Transaction; and

(d) that is either not a "registration-required obligation" within the meaning of Section 163(f)(2) of the Code, or was issued after July 18, 1984 and is in registered form within the meaning of Treasury regulations section 5f.103-1(c);

provided, that notwithstanding the failure of an Asset or Purchased Asset to conform to the requirements of this definition, Buyer may, subject to such terms, conditions and requirements and Applicable Percentage adjustments as Buyer may require, designate in writing any such non–conforming Asset or Purchased Asset as an Eligible Asset, which designation (1) may include a temporary or permanent waiver of one or more Eligible Asset requirements, and (2) shall not be deemed a waiver of the requirement that all other Assets and Purchased Assets must be Eligible Assets (including any Assets that are similar or identical to the Asset or Purchased Asset subject to the waiver).

"Eligible Assignee": Any of the following Persons designated by Buyer for purposes of Section 18.08(c): (a) a U.S. bank, financial institution, pension fund, insurance company or similar Person, a U.S. Affiliate of any of the foregoing, and a U.S. Affiliate of Buyer, in each case, the long-term senior unsecured debt obligations of which are rated at least "A" by S&P and "A2" by Moody's, and (b) any other Person to which Seller has consented; provided, that such consent of Seller shall not be unreasonably withheld, delayed or conditioned, and shall not be required at any time when an Event of Default exists and is continuing.

"Equity Interests": With respect to any Person, (a) any share, interest, participation and other equivalent (however denominated) of Capital Stock of (or other ownership, equity or profit interests in) such Person, (b) any warrant, option or other right for the purchase or other acquisition from such Person of any of the foregoing, (c) any security convertible into or exchangeable for any of the foregoing, and (d) any other ownership or profit interest in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date.

"ERISA": The Employee Retirement Income Security Act of 1974.

"ERISA Affiliate": Any "person" (as defined in Section 3(9) of ERISA) which, together with Seller would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Event of Default": Defined in Section 10.01.

"Excluded Taxes": Defined in Section 12.06(a).

"Extension Fee": Defined in the Fee Letter, which definition is incorporated by reference herein.

"Facility Termination Date": The earliest of (a) January 31, 2013, as such date may be extended pursuant to Section 3.06, (b) any Accelerated Repurchase Date, and (c) any date on which the Facility Termination Date shall otherwise occur in accordance with the provisions hereof or Requirements of Law.

"FATCA": Sections 1471 through 1474 of the Code, as in effect on the date hereof, and any regulations thereunder and official interpretations thereof.

"Fee Letter": The fee and pricing letter, dated as of the date hereof, between Buyer and Seller.

"FDIA": Defined in Section 14.03.

"FDICIA": Defined in Section 14.04.

"Funding Expiration Date": The earliest of (a) January 31, 2013, (b) any Accelerated Repurchase Date, and (c) any date on which the Funding Expiration Date shall otherwise occur in accordance with the provisions hereof or Requirements of Law.

"Funding Period": The period from the Closing Date to and including the Funding Expiration Date.

"GAAP": Generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"Governing Documents": With respect to any Person, its articles or certificate of incorporation or formation, by-laws, partnership, limited liability company, operating or trust agreement and/or other organizational, charter or governing documents.

"Governmental Authority": Any (a) national or federal government, (b) state, regional or local or other political subdivision thereof, (c) central bank or similar monetary or regulatory authority, (d) Person, agency, authority, instrumentality, court, regulatory body, central bank or other body or entity exercising executive, legislative, judicial, taxing, quasi–judicial, quasi–legislative, regulatory or administrative functions or powers of or pertaining to government, (e) court or arbitrator having jurisdiction over such Person, its Affiliates or its assets or properties, (f) stock exchange on which shares of stock of such Person are listed or admitted for trading, (g) accounting board or authority that is responsible for the establishment or interpretation of national or international accounting principles, and (h) supra-national body such as the European Union or the European Central Bank.

"Guarantee Agreement": A Guarantee Agreement, substantially in the form of Exhibit F, made by Guarantor in favor of Buyer.

"Guarantee Default": Defined in Section 8.12.

"Guarantee Obligation": With respect to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit) to induce the creation of the obligations for which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends, Contractual Obligation, Derivatives Contract or other obligations or indebtedness (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation, or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the maximum stated amount of the primary obligation relating to such Guarantee Obligation (or, if less, the maximum stated liability set forth in the instrument embodying such Guarantee Obligation); provided, that in the absence of any such stated amount or stated liability, the amount of such Guarantee Obligation shall be such guaranteeing person's maximum anticipated liability in respect thereof as reasonably determined by such Person.

"Guarantor": Resource Capital Corp., a Maryland corporation.

"Hedge Counterparty": Either (a) an Affiliated Hedge Counterparty, or (b) any other counterparty approved by Buyer (which approval shall not be unreasonably withheld, delayed or conditioned) to any Interest Rate Protection Agreement with Seller, in either case that contains a collateral assignment to Buyer of the rights (but none of the obligations) of Seller thereunder in form reasonably satisfactory to Buyer.

"Hedge Required Asset": A Purchased Asset that has a fixed rate of interest or return, or any other Purchased Asset that prior to the transfer thereof to Buyer hereunder may be designated as such by Buyer.

"Income": With respect to any Purchased Asset, all of the following (in each case with respect to the entire par amount of the Asset represented by such Purchased Asset and not just with respect to the portion of the par amount represented by the Purchase Price advanced against such Asset): (a) all Principal Payments, (b) all Interest Payments, (c) all other income, distributions, receipts, payments, collections, prepayments, recoveries, proceeds (including insurance and condemnation proceeds) and other payments or amounts of any kind paid, received, collected, recovered or distributed on, in connection with or in respect of such Purchased Asset, including Principal Payments, Interest Payments, principal and interest payments, prepayment fees, extension fees, exit fees, defeasance fees, transfer fees, make whole fees, late charges, late fees and all other fees or charges of any kind or nature, premiums, yield maintenance charges, penalties, default interest, dividends, gains, receipts, allocations, rents, interests, profits, payments in kind, returns or repayment of contributions, net sale, foreclosure, liquidation, securitization or other disposition proceeds, insurance payments, settlements and proceeds, and (d) all payments received from Hedge Counterparties pursuant to Interest Rate Protection Agreements related to such Purchased Asset.

"Indebtedness": With respect to any Person and any date, all of the following with respect to such Person as of such date: (a) obligations in respect of money borrowed (including principal, interest, assumption fees, prepayment fees, yield maintenance charges, penalties, exit fees, contingent interest and other monetary obligations whether choate or inchoate and whether by loan, the issuance and sale of debt securities or the sale of property or assets to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets, or otherwise), (b) obligations, whether or not for money borrowed (i) represented by notes payable, letters of credit or drafts accepted, in each case representing extensions of credit, (ii) evidenced by bonds, debentures, notes or similar instruments, (iii) constituting purchase money indebtedness, conditional sales contracts, title retention debt instruments or other similar instruments, upon which interest charges are customarily paid or that are issued or assumed as full or partial payment for property or services rendered, or (iv) in connection with the issuance of preferred equity or trust preferred securities, (c) Capital Lease Obligations, (d) reimbursement obligations under any letters of credit or acceptances (whether or not the same have been presented for payment), (e) Off–Balance Sheet Obligations, (f) obligations to purchase, redeem, retire, defease or otherwise make any payment in respect of any mandatory redeemable stock issued by such Person or any other Person (inclusive of forward equity contracts), valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (g) as applicable, all obligations of such Person (but not the obligation of others) in respect of any keep

well arrangements, credit enhancements, contingent or future funding obligations under any Purchased Asset or any obligation senior to any Purchased Asset, unfunded interest reserve amount under any Purchased Asset or any obligation that is senior to any Purchased Asset, purchase obligation, repurchase obligation, sale/buy–back agreement, takeout commitment or forward equity commitment, in each case evidenced by a binding agreement (excluding any such obligation to the extent the obligation can be satisfied by the issuance of Equity Interests (other than mandatory redeemable stock)), (h) net obligations under any Derivatives Contract not entered into as a hedge against existing indebtedness, in an amount equal to the Derivatives Termination Value thereof, (i) all Non–Recourse Indebtedness, recourse indebtedness and all indebtedness of other Persons that such Person has guaranteed or is otherwise recourse to such Person (other than "bad boy" liability provisions for fraud, misapplication of funds and environmental liabilities), (j) all indebtedness of another Person secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien (other than Permitted Liens) on property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment obligation; provided, that if such Person has not assumed or become liable for the payment of such indebtedness, then for the purposes of this definition the amount of such indebtedness shall not exceed the market value of the property subject to such Lien, (k) all Contingent Liabilities, (l) all obligations of such Person incurred in connection with the acquisition or carrying of fixed assets by such Person or obligations of such Person to pay the deferred purchase or acquisition price of property or assets, including contracts for the deferred purchase price of property or assets that include the procurement of services, (m) indebtedness of general partnerships of which such Person is liable as a general partner (whether secondarily or contingently liable or otherwise), and (n) obligations to fund capital commitments under any Governing Document, subscription agreement or otherwise.

"Indemnified Amounts": Defined in Section 13.01.

"Indemnified Person": Defined in Section 13.01.

"Insolvency Action": With respect to any Person, the taking by such Person of any action resulting in an Insolvency Event, other than solely under clause (g) of the definition thereof.

"Insolvency Event": With respect to any Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises with respect to such Person or any substantial part of its assets or property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, or ordering the winding–up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of forty-five (45) days, (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, (c) the consent by such Person to the entry of an order for relief in an involuntary case against such Person under any Insolvency Law, (d) the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, (e) the making by such Person of any general assignment for the benefit of creditors, (f) the admission in a legal proceeding of the inability of such Person to pay its debts generally as they become due, (g) the failure by such Person generally to pay its debts as they become due, or (h) the taking of action by such Person in furtherance of any of the foregoing.

"Insolvency Proceeding": Any case, action or proceeding before any court or other Governmental Authority relating to any Insolvency Event.

"Insolvency Laws": The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments and similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"Interest Payments": With respect to any Purchased Asset, all payments of interest, income, receipts, dividends, and any other collections and distributions received from time to time in connection with any such Purchased Asset, in each instance, not constituting a Principal Payment.

"Interest Rate Protection Agreement": With respect to any or all Purchased Assets, any futures contract, options related contract, short sale of United States Treasury securities or any interest rate swap, cap, floor or collar agreement, total return swap or any other similar arrangement providing for protection against fluctuations in interest rates or the exchange of nominal interest obligations either generally or under specific contingencies, in each case with a Hedge Counterparty and that is acceptable to Buyer. For the avoidance of doubt, any Interest Rate Protection Agreement with respect to a Purchased Asset shall be included in the definitions of "Purchased Asset" and "Repurchase Document."

"Internal Control Event": Material weakness in, or fraud that involves management or other employees who have a significant role in, the internal controls of Seller, Manager or Guarantor over financial reporting, in each case as described in the Securities Laws.

"Investment": With respect to any Person, any acquisition or investment (whether or not of a controlling interest) by such Person in another Person, whether by means of (a) the purchase or other acquisition of any Equity Interest in another Person, (b) a loan, advance or extension of credit (other than an extension of trade credit) to, capital contribution to, guaranty or credit enhancement of Indebtedness of, or purchase or other acquisition of any Indebtedness of, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute the business or a division or operating unit of another Person. Any binding commitment or option to make an Investment in any other Person shall constitute an Investment. Except as expressly provided otherwise, for purposes of determining compliance with any covenant contained in this Agreement, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"Investment Company Act": The Investment Company Act of 1940, as amended, restated or modified from time to time.

"IRS": The United States Internal Revenue Service.

"Knowledge": With respect to any Person, means collectively (i) the actual knowledge of such Person, (ii) notice of any fact, event, condition or circumstance that would cause a reasonably prudent Person to conduct an inquiry that would give such Person actual knowledge, whether or not such Person actually undertook such an inquiry, and (iii) all knowledge that is imputed to a Person under any statute, rule, regulation, ordinance, or official decree or order.

"LIBOR": For any Pricing Period, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100 of 1%) for deposits in Dollars, for a one-month period, that appears on Reuters Screen LIBOR01 (or the successor thereto) as the London interbank offered rate for deposits in Dollars as of 11:00 a.m., London time, on the Pricing Rate Reset Date for such Pricing Period. If such rate does not appear on Reuters Screen LIBOR01 as of 11:00 a.m., London time, on such Pricing Rate Reset Date, Buyer shall request the principal London office of the Reference Banks selected by Buyer to provide such banks' offered quotation (expressed as a percentage per annum) to leading banks in the international Eurocurrency market for deposits in Dollars for a one-month period as of 11:00 a.m., London time, on such Pricing Rate Reset Date for amounts of not less than the aggregate Repurchase Price of all Purchased Assets. If at least two such offered quotations are so provided, LIBOR shall be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, Buyer shall request any three major banks in New York City selected by Buyer to provide such banks' rate (expressed as a percentage per annum) for loans in Dollars to leading banks in the international Eurocurrency market for a one-month period as of approximately 11:00 a.m., New York City time on the applicable Pricing Rate Reset Date for amounts of not less than the aggregate Repurchase Price of all Purchased Assets. If at least two such rates are so provided, LIBOR shall be the arithmetic mean of such rates.

"LIBO Rate": For any Pricing Period, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100 of 1%) determined for such Pricing Period in accordance with the following formula:

$$\frac{\text{LIBOR for such Pricing Period}}{1 - \text{Reserve Requirement}}$$

"Lien": Any mortgage, statutory or other lien, pledge, charge, right, claim, adverse claim, attachment, levy, hypothecation, collateral assignment, security interest, UCC financing statement or encumbrance of any kind on or otherwise relating to any Person's assets or properties in favor of any other Person or any preference, priority or other security agreement or preferential arrangement of any kind.

"Manager": Resource Capital Manager, Inc., a Delaware corporation.

"Margin Call": Defined in Section 4.01.

"Margin Deficit": Defined in Section 4.01.

"Market Disruption Event": Any event or events that, in the reasonable determination of Buyer, results in (a) the effective absence of a "repo market" or related "lending market" for purchasing (subject to repurchase) or financing debt obligations secured by commercial mortgage loans or securities, (b) Buyer's not being able to finance Purchased Assets through the "repo market" or "lending market" with traditional counterparties at rates that would have been reasonable prior to the occurrence of such event or events, (c) the effective absence of a "securities market" for securities backed by Purchased Assets, or (d) Buyer's not being able to sell securities backed by Purchased Assets at prices that would have been reasonable prior to the occurrence of such event or events.

"Market Value": For any Purchased Asset as of any date, the lower of the Current Mark-to-Market Value and Book Value for such Purchased Asset, as determined by Buyer; provided, that the Market Value shall be automatically set at zero for any Purchased Asset with respect to which:

(a) the requirements of the definition of Eligible Asset (other than clause (a) thereof) are not satisfied, as determined by Buyer;

(b) a Representation Breach exists, as determined by Buyer;

(c) any Retained Interest, funding obligation or any other obligation of any kind has been transferred to Buyer;

(d) Seller fails to repurchase such Purchased Asset by the Repurchase Date therefor;

(e) Buyer determines that a Material Adverse Effect has occurred or that such Purchased Asset is otherwise reasonably unlikely to be collectible on a timely basis;

(f) a Material Modification occurs, or

(g) there is a material adverse effect on or a material adverse change in or to (i) the validity, legality or binding effect of any Asset Document related to such Purchased Asset or such Purchased Asset, (ii) the rights and remedies of Buyer, any Affiliated Hedge Counterparty or any Indemnified Person under any Asset Document related to such Purchased Asset or such Purchased Asset, or (iii) the perfection or priority of any Lien granted under any Asset Document.

"Material Adverse Effect": A material adverse effect on or material adverse change in or to (a) the property, assets, business, operations or financial condition of Seller and Guarantor, taken as a whole, (b) the ability of Seller to pay and perform the Repurchase Obligations, (c) the validity, legality, binding effect or enforceability of any Repurchase Document or security interest granted hereunder or thereunder, (d) the rights and remedies of Buyer, any Affiliated Hedge Counterparty or any Indemnified Person under any Repurchase Document, or (e) the perfection or priority of any Lien granted under any Repurchase Document.

"Material Modification": Any material extension, amendment, waiver, termination, rescission, cancellation, release or other modification to the terms of, or any material collateral, guaranty or indemnity for, or the exercise of any material right or remedy of a holder of, any Purchased Asset that materially and adversely affects the interest of Buyer in such Purchased Asset without the prior written consent of Buyer.

"Maximum Amount": $100,000,000.

"Moody's": Moody's Investors Service, Inc. or, if Moody's Investors Service, Inc. is no longer issuing ratings, another nationally recognized rating agency reasonably acceptable to Buyer.

"Multiemployer Plan": A Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Income": With respect to any Person for any period, the net income of such Person for such period as determined in accordance with GAAP.

"Non-Excluded Taxes": Defined in Section 12.06(a).

"Non–Recourse Indebtedness": With respect to any Person and any date, indebtedness of such Person as of such date for borrowed money in respect of which recourse for payment (except for customary exceptions for fraud, misapplication of funds, environmental indemnities, Insolvency Events, non-approved transfers or other events) is contractually limited to specific assets of such Person encumbered by a Lien securing such Indebtedness.

"Non-U.S. Person": Defined in Section 12.06(d).

"Off–Balance Sheet Obligations": With respect to any Person and any date, to the extent not included as a liability on the balance sheet of such Person, all of the following with respect to such Person as of such date: (a) monetary obligations under any financing lease or so–called "synthetic," tax retention or off–balance sheet lease transaction that, upon the application of any Insolvency Laws, would be characterized as Indebtedness, (b) monetary obligations under any sale and leaseback transaction that does not create a liability on the balance sheet of such Person, or (c) any other monetary obligation arising with respect to any other transaction that (i) is characterized as Indebtedness for tax purposes but not for accounting purposes, or (ii) is the functional equivalent of or takes the place of borrowing but that does not constitute a liability on the balance sheet of such Person (for purposes of this clause (c), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

"Other Taxes": Defined in Section 12.06(b).

"Participant": Defined in Section 18.08(b).

"Party": Defined in the introductory paragraph hereof.

"Patriot Act": The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"PBGC": The Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permitted Liens": (i) Any of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding has been commenced: (a) Liens for federal, state, municipal, local or other taxes not yet due and payable, (b) Liens imposed by Requirements of Law, such as materialmen's, mechanics', carriers', workmen's, repairmen's and similar Liens, arising in the ordinary course of business securing obligations that are not overdue for more than thirty (30) days, and (c) Liens granted or obligations created pursuant to or by the Repurchase Documents and (ii) other Liens securing an aggregate amount not exceeding $10,000 on the Closing Date and $25,000 at any time thereafter.

"Person": An individual, corporation, limited liability company, business trust, partnership, trust, unincorporated organization, joint stock company, sole proprietorship, joint venture, Governmental Authority or any other form of entity.

"Plan": An employee benefit plan as defined in Section 3(3) of ERISA, subject to Title I of ERISA in respect of which Seller, Guarantor or any ERISA Affiliate thereof has any actual or potential liability or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be, an "employer" as defined in Section 3(5) of ERISA.

"Price Differential": For any Pricing Period or portion thereof and (a) for any Transaction outstanding, the sum of the products, for each day during such Pricing Period or portion thereof, of (i) 1/360th of the applicable Pricing Rate in effect for each Purchased Asset subject to such Transaction during such Pricing Period, times (ii) the Purchase Price for such Purchased Asset, or (b) for all Transactions outstanding, the sum of the amounts calculated in accordance with the preceding clause (a) for all Transactions.

"Pricing Margin": Defined in the Fee Letter, which definition is incorporated by reference herein.

"Pricing Period": For any Purchased Asset, (a) in the case of the first Remittance Date, the period from the Purchase Date for such Purchased Asset to but excluding such Remittance Date, and (b) in the case of any subsequent Remittance Date, the one-month period commencing on and including the prior Remittance Date and ending on but excluding such Remittance Date; provided, that no Pricing Period for a Purchased Asset shall end after the Repurchase Date for such Purchased Asset.

"Pricing Rate": For any Pricing Period, the LIBO Rate for such Pricing Period plus the applicable Pricing Margin, which shall be subject to adjustment and/or conversion as provided in Sections 12.01 and 12.02; provided, that while an Event of Default exists, the Pricing Rate shall be the Default Rate.

"Pricing Rate Reset Date": (a) In the case of the first-Pricing Period for any Purchased Asset, the Purchase Date for such Purchased Asset, and (b) in the case of any subsequent Pricing Period, the Business Day next preceding the Remittance Date on which such Pricing Period begins or on any other date as determined by Buyer, as communicated to Seller. The failure to communicate shall not impair Buyer's decision to reset the Pricing Rate on any date.

"Principal Payments": For any Purchased Asset, all payments and prepayments of principal received and applied as principal toward the Purchase Price for such Purchased Asset, including insurance and condemnation proceeds and recoveries from liquidation or foreclosure.

"Purchase Agreement": Any purchase, assignment or transfer agreement between Seller and any Transferor or any purchase order or trade confirmation, in each instance, pursuant to which Seller purchased or acquired an Asset which is subsequently sold to Buyer hereunder.

"Purchase Date": For any Purchased Asset, the date on which such Purchased Asset is transferred by Seller to Buyer.

"Purchase Price": For any Purchased Asset, (a) as of the Purchase Date for such Purchased Asset, an amount equal to the product of the Market Value of such Purchased Asset, times the Applicable Percentage for such Purchased Asset, and (b) as of any other date, the amount described in the preceding clause (a), (i) reduced by any amount of Margin Deficit transferred by Seller to Buyer pursuant to Section 4.01 and applied to the Purchase Price of such Purchased Asset, (ii) reduced by any Principal Payments remitted to the Securities Account and which were applied to the Purchase Price of such Purchased Asset by Buyer pursuant to this Agreement, and (iii) reduced by any payments made by Seller in reduction of the outstanding Purchase Price, in each case before or as of such determination date with respect to such Purchased Asset.

"Purchased Assets": (a) For any Transaction, each Asset sold by Seller to Buyer in such Transaction, and (b) for the Transactions in general, all Assets sold by Seller to Buyer, in each case including, to the extent relating to such Asset or Assets, all of Seller's right, title and interest in and to (i) Asset Documents, (ii) Servicing Rights, (iii) the principal balance of such Assets, not just the amount advanced, (iv) amounts and property from time to time on deposit in the Securities Account and the Securities Account itself, (v) Income, and (vi) Interest Rate Protection Agreements relating to such Assets; provided, that (A) Purchased Assets shall not include any obligations of Seller or any Retained Interests, and (B) for purposes of the grant of security interest by Seller to Buyer and Affiliated Hedge Counterparties, and the other provisions of Article 11, Purchased Assets shall include all of the following: general intangibles, accounts, chattel paper, deposit accounts, securities accounts, instruments, securities, financial assets, uncertificated securities, security entitlements and investment property (as such terms are defined in the UCC) and replacements, substitutions, conversions, distributions or proceeds, in each instance to the extent relating to or constituting any of the items described in the preceding clauses (i) through (v). For the avoidance of doubt, an Asset shall no longer constitute a Purchased Asset once Buyer has transferred such Asset to Seller.

"Rating Agency": Each of Fitch, Inc., Moody's and S&P.

"Reference Banks": Banks each of which shall (a) be a leading bank in the international Eurocurrency market, and (b) have an established place of business in London. Initially, the Reference Banks shall be JPMorgan Chase Bank, Barclays Bank, PLC and Deutsche Bank AG. If any such Reference Bank should be unwilling or unable to act as such or if Buyer shall terminate the appointment of any such Reference Bank or if any of the Reference Banks should be removed from the Reuters Monitor Money Rates Service or in any other way fail to meet the qualifications of a Reference Bank, Buyer may designate alternative banks meeting the criteria specified in the preceding clauses (a) and (b).

"REIT": A real estate investment trust, as defined in Section 856 of the Code.

"Remittance Date": The eighteenth (18th) day of each month (or if such day is not a Business Day, the next following Business Day, or such other day as is mutually agreed to by Seller and Buyer.

"Reportable Event": Any event set forth in Section 4043(c) of ERISA, other than an event as to which the notice period is waived under Pension Benefit Guaranty Commission Reg. §4043.

"Representation Breach": Any material representation, warranty, certification, statement or affirmation made or deemed made by Seller, Manager or Guarantor in any Repurchase Document (including in Schedule 1) or in any certificate, notice, report or other document delivered pursuant to any Repurchase Document proves to be incorrect, false or misleading in any material respect when made or deemed made, without regard to any Knowledge or lack of Knowledge thereof by such Person and without regard to any qualification, representation or warranty relating to such Knowledge or lack of Knowledge (except to the extent any representation, warranty, certification, statement or affirmation specifically relates to an earlier date, in which case it shall have proved to be incorrect, false or misleading in any material respect as of such earlier date).

"Repurchase Date": For any Purchased Asset, the earliest of (a) the Facility Termination Date, (b) any Early Repurchase Date therefor, and (c) the Business Day on which Seller is to repurchase such Purchased Asset as specified by Seller and agreed to by Buyer in the related Confirmation.

"Repurchase Documents": Collectively, this Agreement, the Custodial Agreement, the Fee Letter, all Interest Rate Protection Agreements, the Guarantee Agreement, all Confirmations, all UCC financing statements, amendments and continuation statements filed pursuant to any other Repurchase Document, and all additional documents, certificates, agreements or instruments executed in connection with the Repurchase Documents.

"Repurchase Obligations": All obligations of Seller to pay the Repurchase Price on the Repurchase Date and all other obligations and liabilities of Seller to Buyer and any Affiliated Hedge Counterparty arising under or in connection with the Repurchase Documents (for the avoidance of doubt, including all Interest Rate Protection Agreements with Affiliated Hedge Counterparties), whether now existing or hereafter arising, and all interest and fees that accrue after the commencement by or against Seller or Guarantor of any Insolvency Proceeding naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding (in each case, whether due or accrued).

"Repurchase Price": For any Purchased Asset as of any date, an amount equal to the sum of (a) the outstanding Purchase Price as of such date, (b) the accrued and unpaid Price Differential for such Purchased Asset as of such date, (c) all other amounts due and payable as of such date by Seller to Buyer under this Agreement or any Repurchase Document with respect to such Purchased Asset, (d) all amounts that would be payable by Seller to any Affiliated Hedge Counterparty in connection with the termination of any Interest Rate Protection Agreement with any Affiliated Hedge Counterparty relating to such Purchased Asset if such Interest Rate Protection Agreement were terminated as of such date, and (e) any accrued and unpaid fees and expenses and indemnity amounts and any other amounts owed by Seller or Guarantor to Buyer or any of its Affiliates under this Agreement or any other Repurchase Document with respect to such Purchased Asset.

"Requirements of Law": With respect to any Person or property or assets of such Person and as of any date, all of the following applicable thereto as of such date: all Governing Documents and existing and future laws, statutes, rules, regulations, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including, without limitation, the Code, ERISA, regulations of the Board of Governors of the Federal Reserve System, and laws, rules and regulations relating to Taxes, usury, licensing, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other Governmental Authority.

"Reserve Requirement": For any Pricing Period, the aggregate of the rates (expressed as a decimal fraction) of reserve requirements in effect during such Pricing Period (including 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 of Governors) maintained by Buyer.

"Responsible Officer": With respect to any Person, the chief executive officer, the chief financial officer, the chief accounting officer, the treasurer or the chief operating officer of such Person.

"Retained Interest": (a) With respect to any Purchased Asset, (i) all duties, obligations and liabilities of Seller thereunder, including payment and indemnity obligations, and (ii) all obligations of agents, trustees, servicers, administrators or other Persons under the documentation evidencing such Purchased Asset, and (b) with respect to any Purchased Asset with an unfunded commitment on the part of Seller, all obligations to provide additional funding, contributions, payments or credits.

"S&P": Standard and Poor's Ratings Services, a division of Standard & Poor's Financial Services LLC business or, if Standard & Poor's Ratings Services is no longer issuing ratings, another nationally recognized rating agency reasonably acceptable to Buyer.

"Sanctioned Entity": (a) A country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its

government, (d) a Person resident in or determined to be resident in a country, that in each case is subject to a country sanctions program administered and enforced by the Office of Foreign Assets Control, or (e) a Person named on the list of Specially Designated Nationals maintained by the Office of Foreign Assets Control.

"SEC": Securities Exchange Commission or any successor agency or commission.

"Securities Account": A securities account established at Securities Account Bank in the name of Buyer.

"Securities Account Bank": Wells Fargo Bank, National Association, or any other bank reasonably approved by Buyer and Seller.

"Securities Laws": The Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the Securities and Exchange Commission or the Public Company Accounting Oversight Board.

"Seller": Defined in the preamble of this Agreement.

"Servicing Rights": All right, title and interest of Seller, Guarantor or any Affiliate of Seller or Guarantor in and to any and all of the following: (a) rights to service and collect the Purchased Assets, (b) rights to appoint, designate and retain any other servicers, sub-servicers, special servicers, agents, custodians, trustees and liquidators with respect to the Purchased Assets, and (c) accounts and other rights to payment related to the Purchased Assets.

"Single Employer Plan": Any Plan that is not a Multiemployer Plan.

"Solvent": With respect to any Person at any time, having a state of affairs such that all of the following conditions are met at such time: (a) the fair value of the assets and property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code, (b) the present fair salable value of the assets and property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is able to realize upon its assets and property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (e) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets and property would constitute unreasonably small capital.

"Structuring Fee": Defined in the Fee Letter, which definition is incorporated by reference herein.

"Subsidiary": With respect to any Person, any corporation, partnership, limited liability company or other entity (heretofore, now or hereafter established) 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, limited liability company or other entity (without regard to the occurrence 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, and shall include all Persons the accounts of which are with those of such Person pursuant to GAAP.

"Tangible Net Worth": With respect to any Person and any date, all amounts that would be included under capital or shareholder's equity (or any like caption) on a balance sheet of such Person, minus (a) amounts owing to such Person from any Affiliate thereof, or from officers, employees, partners, members, directors, shareholders or other Persons similarly affiliated with such Person or any Affiliate thereof, (b) intangible assets (other than Interest Rate Protection Agreements specifically related to the Purchased Assets), and (c) prepaid taxes and/or expenses, all on or as of such date.

"Taxes": Defined in Section 12.06(a).

"Transaction": With respect to any Asset, the sale and transfer of such Asset from Seller to Buyer pursuant to the Repurchase Documents against the transfer of funds from Buyer to Seller representing the Purchase Price.

"Transferor": The seller of an Asset under a Purchase Agreement.

"UCC": The Uniform Commercial Code as in effect in the State of New York; provided, that, if, by reason of Requirements of Law, the perfection or priority of the security interest in any Purchased Asset is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority.

"Underwriting Package": With respect to any Asset, each of the following items, in each case to the extent applicable, not readily available to Buyer and readily available to Seller: (i) the related prospectus or offering circular including a list of underwriters and placement agents, (ii) structural and collateral terms sheets and other computational and similar materials provided to Seller; (iii) the most recent distribution date statement, and (iv) the most recent monthly reporting package.

"United States Tax Compliance Certificate": A certificate substantially in the form of Exhibit H.

Section 2.01 Rules of Interpretation. Headings are for convenience only and do not affect interpretation. The following rules of this Section 2.01 apply unless the context requires otherwise. The singular includes the plural and conversely. A gender includes all genders. Where a word or phrase is defined, its other grammatical forms have a corresponding meaning. A reference to an Article, Section, Subsection, Paragraph, Subparagraph, Clause, Annex, Schedule, Appendix, Attachment, Rider or Exhibit is, unless otherwise specified, a reference to an Article, Section, Subsection, Paragraph, Subparagraph or Clause of, or Annex, Schedule, Appendix, Attachment, Rider or Exhibit to, this Agreement, all of which are hereby incorporated herein by this reference and made

a part hereof. A reference to a party to this Agreement or another agreement or document includes the party's permitted successors, substitutes or assigns. A reference to an agreement or document is to the agreement or document as amended, modified, novated, supplemented or replaced, except to the extent prohibited by any Repurchase Document. A reference to legislation or to a provision of legislation includes a modification, codification, replacement, amendment or reenactment of it, a legislative provision substituted for it and a rule, regulation or statutory instrument issued under it. A reference to writing includes a facsimile or electronic transmission and any means of reproducing words in a tangible and permanently visible form. A reference to conduct includes an omission, statement or undertaking, whether or not in writing. A Default or Event of Default exists until it has been cured or waived in writing by Buyer. The words "hereof," "herein," "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement, unless the context clearly requires or the language provides otherwise. The word "including" is not limiting and means "including without limitation." The word "any" is not limiting and means "any and all" unless the context clearly requires or the language provides otherwise. 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." The words "will" and "shall" have the same meaning and effect. A reference to day or days without further qualification means calendar days. A reference to any time means New York time. This Agreement may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their respective terms. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed in accordance with GAAP, and all accounting determinations, financial computations and financial statements required hereunder shall be made in accordance with GAAP, without duplication of amounts, and on a consolidated basis with all Subsidiaries. All terms used in Articles 8 and 9 of the UCC, and used but not specifically defined herein, are used herein as defined in such Articles 8 and 9. A reference to "fiscal year" and "fiscal quarter" means the fiscal periods of the applicable Person referenced herein. A reference to an agreement includes a security interest, guarantee, agreement or legally enforceable arrangement whether or not in writing. 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 electronic, including computer disk form. Whenever a Person is required to provide any document to Buyer under the Repurchase Documents, the relevant document shall be provided in writing or printed form unless Buyer requests otherwise. At the request of Buyer, the document shall be provided in computer disk form or both printed and electronic, including computer disk form. The Repurchase Documents are the result of negotiations between the Parties, have been reviewed by counsel to Buyer and counsel to Seller, and are the product of both Parties. 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 the Repurchase Documents or the Repurchase Documents themselves. Except where otherwise expressly stated, Buyer may give or withhold, or give conditionally, approvals and consents, and may form opinions and make determinations, in its sole and absolute discretion, subject in all cases to the implied covenant of good faith and fair dealing. Reference in any Repurchase

Document to Buyer's discretion, shall mean, unless otherwise expressly stated herein or therein, Buyer's sole and absolute discretion, subject in all cases to the implied covenant of good faith and fair dealing, and the exercise of such discretion shall be final and conclusive, absent manifest error. In addition, unless otherwise expressly provided in the applicable Repurchase Documents, whenever Buyer has a decision or right of determination, opinion or request, exercises any right given to it to agree, disagree, accept, consent, grant waivers, take action or no action or to approve or disapprove (or any similar language or terms), or any arrangement or term is to be satisfactory or acceptable to or approved by Buyer (or any similar language or terms), the decision of Buyer with respect thereto shall be in the sole and absolute discretion of Buyer, and such decision shall be final and conclusive, absent manifest error. 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 immediately available from or with respect to Seller or the Purchased Assets.

ARTICLE 3

THE TRANSACTIONS

Section 3.01 Procedures.

(a) From time to time during the Funding Period, and, unless a shorter time period is approved by Buyer, with not less than one (1) Business Day prior written notice to Buyer, Seller may request Buyer to enter into a proposed Transaction by simultaneously sending Buyer a Confirmation for such Transaction, executed by Seller and describing each such Asset and its proposed Purchase Date, Market Value, Applicable Percentage, Purchase Price and such other terms and conditions as Buyer may require, (i) describing the Transaction and each proposed Asset and other security therefor in reasonable detail, (ii) transmitting a complete Underwriting Package for each proposed Asset, and (iii) specifying which (if any) of the representations and warranties of Seller set forth in this Agreement (including in Schedule 1) Seller will be unable to make with respect to such Asset. Seller shall promptly deliver to Buyer any supplemental materials requested at any time by Buyer. Buyer shall conduct such review of the Underwriting Package and each such Asset as Buyer determines appropriate. Buyer shall determine whether or not it is willing to purchase any or all of the proposed Assets, and if so, on what terms and conditions. It is expressly agreed and acknowledged that Buyer is entering into the Transactions on the basis of all such representations and warranties and on the completeness and accuracy of the information contained in the applicable Underwriting Package, and any incompleteness or inaccuracies in the related Underwriting Package will only be acceptable to Buyer if disclosed in writing to Buyer by Seller in advance of the related Purchase Date, and then only if Buyer opts to purchase the related Purchased Asset from Seller notwithstanding such incompleteness and inaccuracies. In the event of a Representation Breach that has a Material Adverse Effect on the related Purchased Asset, the Repurchase Date for the related Purchased Asset shall be deemed to have occurred and Seller shall repurchase such Purchased Asset in accordance with Section 3.05. Notwithstanding anything to the contrary contained in this Agreement or any other Repurchase Document, Seller may, without any liability to Buyer

or the payment of any penalty, premium or other amount to Buyer, revoke any proposed Transaction prior to the actual consummation thereof, including, without limitation, as a result of (i) the related Asset no longer being available for Seller to purchase, (ii) Buyer requesting additional terms or conditions for the Transaction or (iii) Buyer not consummating the Transaction within one (1) Business Day of Seller's request to Buyer to enter into such Transaction, and upon any such revocation the related Confirmation delivered to Buyer shall, to the extent of such revocation, be deemed null and void.

(b) Buyer shall give Seller notice promptly after Buyer has received a complete Underwriting Package and supplemental materials. Buyer shall endeavor to communicate to Seller a binding determination of whether or not it is willing to purchase any or all of such Assets, and if so, on what terms and conditions, within one (1) Business Day after such date. If Buyer has not communicated its final determination to Seller by such date, Buyer shall automatically and without further action be deemed to have determined not to purchase any such Asset.

(c) If Buyer determines to enter into the Transaction on the terms described in the Confirmation delivered by Seller under Section 3.01(a), Buyer shall promptly execute and return the same to Seller, which shall thereupon become effective as the Confirmation of the Transaction. Buyer's approval of the purchase of an Asset on such terms and conditions as Buyer may require shall be evidenced only by its execution and delivery of the related Confirmation and Seller's approval of any terms or conditions not set forth in the Confirmation delivered by Seller under Section 3.01(a). For the avoidance of doubt, Buyer shall not (i) be deemed to have approved the purchase of an Asset by virtue of the approval or entering into by Buyer of a rate lock agreement, Interest Rate Protection Agreement, total return swap or any other agreement with respect to such Asset, or (ii) be obligated to purchase an Asset notwithstanding a Confirmation executed by the Parties unless and until all applicable conditions precedent in Article 6 have been satisfied or waived by Buyer.

(d) Each Confirmation, together with this Agreement, shall be conclusive evidence of the terms of the Transaction covered thereby, and shall be construed to be cumulative to the extent possible. If terms in a Confirmation are inconsistent with terms in this Agreement with respect to a particular Transaction, the Confirmation shall prevail. Whenever the Applicable Percentage or any other term of a Transaction (other than the Pricing Rate, Market Value and outstanding Purchase Price) with respect to an Asset is revised or adjusted in accordance with this Agreement, an amended and restated Confirmation reflecting such revision or adjustment and that is otherwise acceptable to the Parties shall be prepared by Seller and executed by the Parties.

(e) The fact that Buyer has conducted or has failed to conduct any partial or complete examination or any other due diligence review of any Asset or Purchased Asset shall in no way affect any rights Buyer may have under the Repurchase Documents or otherwise with respect to any representations or warranties or other rights or remedies thereunder or otherwise, including the right to determine at any time that such Asset or Purchased Asset is not an Eligible Asset.

(f) No Transaction shall be entered into if (i) any Margin Deficit, Default or Event of Default exists or would exist as a result of such Transaction, (ii) the Repurchase Date for the Purchased Assets subject to such Transaction would be later than the Facility Termination Date, or (iii) after giving effect to such Transaction, the aggregate Purchase Price of all Purchased Assets subject to Transactions then outstanding would exceed the Maximum Amount.

Section 3.02 Transfer of Purchased Assets; Servicing Rights. On the Purchase Date for each Purchased Asset, and subject to the satisfaction of all applicable conditions precedent in Article 6, (a) ownership of and title to such Purchased Asset shall be transferred to and vest in Buyer or its designee against the simultaneous transfer of the Purchase Price to the account of Seller specified in Annex I (or if not specified therein, in the related Confirmation or as directed by Seller), and (b) Seller hereby sells, transfers, conveys and assigns to Buyer all of Seller's right, title and interest (but no Retained Interests) in and to such Purchased Asset, together with all related Servicing Rights. Subject to this Agreement, during the Funding Period Seller may sell to Buyer, repurchase from Buyer and re-sell Eligible Assets to Buyer, but may not substitute other Eligible Assets for Purchased Assets. Buyer has the right to designate the servicer of the Purchased Assets to the extent, if any, provided in the related Asset Documents; the Servicing Rights and other servicing provisions under this Agreement are not severable from or to be separated from the Purchased Assets under this Agreement; and, such Servicing Rights and other servicing provisions of this Agreement constitute (a) "related terms" under this Agreement within the meaning of Section 101(47)(A)(i) of the Bankruptcy Code and/or (b) a security agreement or other arrangement or other credit enhancement related to the Repurchase Documents.

Section 3.03 Maximum Amount. The aggregate outstanding Purchase Price for all Purchased Assets as of any date shall not exceed the Maximum Amount. If such aggregate outstanding Purchase Price (as so reduced) exceeds the Maximum Amount, Seller shall promptly, but in any event within one (1) Business Day, pay to Buyer an amount necessary to reduce such aggregate outstanding Purchase Price (as so reduced) to an amount equal to or less than the Maximum Amount.

Section 3.04 Early Repurchase Date; Mandatory Repurchases. Seller may terminate any Transaction with respect to any or all Purchased Assets and repurchase such Purchased Assets on any date prior to the Repurchase Date (an "Early Repurchase Date"); provided, that (a) Seller irrevocably notifies Buyer and any Affiliated Hedge Counterparty at least three (3) Business Days before the proposed Early Repurchase Date identifying the Purchased Asset(s) to be repurchased and the Repurchase Price thereof, (b) Seller delivers a certificate from a Responsible Officer of Seller in form and substance reasonably satisfactory to Buyer certifying that no Margin Deficit, Default or Event of Default would exist immediately after giving effect to such repurchase, (c) if the Early Repurchase Date is not a Remittance Date, Seller pays to Buyer any amount due under Section 12.03 and pays all amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement and (d) Seller thereafter complies with Section 3.05. Such early terminations and repurchases shall be limited to three (3) occurrences in any calendar week.

In addition to other rights and remedies of Buyer under any Repurchase Document, Seller shall promptly upon written request of Buyer repurchase any Purchased Asset that no longer qualifies as an Eligible Asset, as determined by Buyer and pays all related amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement. Any repurchase by Seller

of a Purchased Asset as to which there exists a Representation Breach (or a Default or Event of Default relating solely to such Purchased Asset) shall, upon such repurchase, cure such Representation Breach (or such Default or Event of Default) and any Default or Event of Default arising solely from such Representation Breach (or such Default or Event of Default) shall no longer exist.

Seller shall have the right, from time to time on any date prior to the Repurchase Date, to transfer cash to Buyer and pay any amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement for the purpose of reducing the Repurchase Price for any Purchased Asset, without terminating the Transaction relating to such Purchased Asset and without any prepayment fee or penalty. Further, Seller may, at any time upon one (1) Business Days notice to Buyer, terminate this Agreement (except for those provisions which, expressly by their terms, survive termination) so long as at the time of such termination there are no outstanding Transactions and no outstanding transactions under any Interest Rate Protection Agreement with an Affiliated Hedge Counterparty and all of the Repurchase Obligations have been fully and completely been satisfied.

Section 3.05 Repurchase. On the Repurchase Date for each Purchased Asset, Seller shall transfer to Buyer the Repurchase Price for such Purchased Asset as of the Repurchase Date, and pay all amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement to the extent related to such repurchase and Buyer shall transfer to Seller such Purchased Asset, whereupon the Transaction with respect to such Purchased Asset shall terminate. Buyer (i) shall be deemed to have simultaneously released its security interest in such Purchased Asset, (ii) shall authorize Custodian to release to Seller the Asset Documents for such Purchased Asset, if any, and, (iii) to the extent any UCC financing statement filed against Seller specifically identifies such Purchased Asset, Buyer shall deliver an amendment thereto or termination thereof evidencing the release of such Purchased Asset from Buyer's security interest therein. Any such transfer or release shall be without recourse to Buyer and without representation or warranty by Buyer, except that Buyer shall represent to Seller, to the extent that good title was transferred and assigned by Seller to Buyer hereunder on the related Purchase Date, that Buyer is the sole owner of such Purchased Asset, free and clear of any other interests or Liens (other than Permitted Liens) caused by Buyer's actions or inactions. Any Income with respect to such Purchased Asset received by Buyer or Securities Account Bank after payment of the Repurchase Price therefor shall be remitted to Seller. Notwithstanding the foregoing, on or before the Facility Termination Date, Seller shall repurchase all Purchased Assets by paying to Buyer and any Affiliated Hedge Counterparty the outstanding Repurchase Price therefor, all other outstanding Repurchase Obligations and all related amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement.

Section 3.06 Extension of the Facility Termination Date. At the request of Seller delivered to Buyer no earlier than ninety (90) or later than thirty (30) days before the Facility Termination Date, Seller may exercise one (1) option to extend the Facility Termination Date for a period not to exceed one (1) year. Seller may only exercise its extension option if (i) no Default or Event of Default exists on the date of the request to extend or the current Facility Termination Date, (ii) no Margin Deficit shall be outstanding, and (iii) Seller has paid the Extension Fee to Buyer on or before the original Facility Termination Date. No additional Transactions shall be entered into after the original Facility Expiration Date.

Section 3.07 Payment of Price Differential and Fees.

(a) Notwithstanding that Buyer and Seller intend that the Transactions hereunder be sales to Buyer of the Purchased Assets, Seller shall pay to Buyer the accrued value of the Price Differential for each Purchased Asset on each Remittance Date. Buyer shall give Seller notice of the Price Differential and any fees and other amounts due under the Repurchase Documents on or prior to the second (2nd) Business Day preceding each Remittance Date; provided, that Buyer's failure to deliver such notice shall not affect Seller's obligation to pay such amounts. If the Price Differential includes any estimated Price Differential, Buyer shall recalculate such Price Differential after the Remittance Date and, if necessary, make adjustments to the Price Differential amount due on the following Remittance Date.

(b) Seller shall pay to Buyer all fees and other amounts as and when due, as set forth in the Fee Letter.

Section 3.08 Payment, Transfer and Custody. Unless otherwise expressly provided herein, all amounts required to be paid or deposited by Seller hereunder shall be paid or deposited in accordance with the terms hereof no later than 3:00 p.m. (Eastern Standard Time) on the day when due, in immediately available Dollars and without deduction, setoff or counterclaim, and if not received before such time shall be deemed to be received on the next Business Day. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next following Business Day, and such extension of time shall in such case be included in the computation of such payment. Amounts payable to Buyer and not otherwise required to be deposited into the Securities Account shall be deposited into an account of Buyer. Seller shall have no rights in, rights of withdrawal from, or rights to give notices or instructions regarding Buyer's account or the Securities Account. Amounts in the Securities Account may be invested at the direction of Buyer in Permitted Investments (as defined in the Custodial Agreement) before they are distributed in accordance with Article 5.

Section 3.09 Repurchase Obligations Absolute. Except as provided in Section 12.06, all amounts payable by Seller under the Repurchase Documents shall be paid without notice, demand, counterclaim, setoff, deduction or defense (as to any Person and for any reason whatsoever) and without abatement, suspension, deferment, diminution or reduction (as to any Person and for any reason whatsoever), and the Repurchase Obligations shall not be released, discharged or otherwise affected, except as expressly provided herein, by reason of: (a) any Insolvency Proceeding relating to Seller, or any action taken with respect to any Repurchase Document or Asset Document by any trustee or receiver of Seller or by any court in any such proceeding, (b) any claim that Seller has or might have against Buyer or Hedge Counterparty under any Repurchase Document or otherwise, (c) any default or failure on the part of Buyer to perform or comply with any Repurchase Document or other agreement with Seller, (d) the invalidity or unenforceability of any Purchased Asset, Repurchase Document or Asset Document, or (e) any other occurrence whatsoever, whether or not similar to any of the foregoing, and whether or not Seller has notice or Knowledge of any of the foregoing. The Repurchase Obligations shall be full recourse to Seller. This Section 3.09 shall survive the termination of the Repurchase Documents and the payment in full of the Repurchase Obligations.

ARTICLE 4

MARGIN MAINTENANCE

Section 4.01 Margin Deficit.

(a) If on any date (i) the Market Value of a Purchased Asset is less than (ii) the product of (A) Buyer's Margin Percentage times (B) the outstanding Repurchase Price for such Purchased Asset as of such date (as reduced by any Income then-currently on deposit in the Securities Account which would otherwise be applied by Buyer to reduce such Repurchase Price on the next Remittance Date in accordance with Section 5.02) (the excess, if any, of (ii) over (i), a "Margin Deficit"), then Seller shall, within one (1) Business Day after written notice from Buyer (a "Margin Call"), transfer cash to Buyer in an amount at least equal to such Margin Deficit. Buyer shall apply the funds received in satisfaction of a Margin Deficit to the Repurchase Obligations in such manner as Buyer determines.

(b) Buyer's election not to deliver a Margin Call at any time there is a Margin Deficit shall not waive the Margin Deficit or in any way limit or impair Buyer's right to deliver a Margin Call at any time when the same or any other Margin Deficit exists. Buyer's rights under this Section 4.01 are in addition to and not in lieu of any other rights of Buyer under the Repurchase Documents or Requirements of Law.

(c) All cash transferred to Buyer pursuant to this Section 4.01 with respect to a Purchased Asset shall be deposited into the Securities Account, except as directed by Buyer, and notwithstanding any provision in Section 5.02 to the contrary, shall be applied to reduce the Purchase Price of such Purchased Asset.

ARTICLE 5

APPLICATION OF INCOME

Section 5.01 Securities Account. The Securities Account shall be established at Securities Account Bank. Buyer shall have sole dominion and control (including, without limitation, "control" within the meaning of Section 9-104(a) of the UCC) over the Securities Account. Neither Seller nor any Person claiming through or under Seller shall have any claim to or interest in the Securities Account. All Income received by Seller, Buyer or Securities Account Bank in respect of the Purchased Assets, as well as any interest received from the reinvestment of such Income, shall be deposited directly into the Securities Account and shall be applied to and remitted by Securities Account Bank in accordance with this Article 5.

Section 5.02 Before a Default or an Event of Default. If no Default or Event of Default exists, all Income described in Section 5.01 and deposited into the Securities Account during each Pricing Period shall be applied by Securities Account Bank by no later than the next following Remittance Date in the following order of priority:

first, to pay any custodial fees, expenses and indemnities due and payable under the Custodial Agreement;

second, *pro rata*, (i) to pay to Buyer an amount equal to the Price Differential accrued with respect to all Purchased Assets as of such Remittance Date and (ii) to pay to any Affiliated Hedge Counterparty an amount equal to all amounts (other than termination payments) payable with respect to each related Interest Rate Protection Agreement;

third, to pay to Buyer an amount equal to all default interest, late fees, fees, reasonable expenses and Indemnified Amounts then due and payable from Seller and other applicable Persons to Buyer and other Indemnified Persons under the Repurchase Documents;

fourth, to pay to Buyer an amount sufficient to eliminate any outstanding Margin Deficit (without limiting Seller's obligation to satisfy a Margin Deficit in a timely manner as required by Section 4.01);

fifth, to pay to any Affiliated Hedge Counterparty an amount equal to all termination payments payable with respect to each related Interest Rate Protection Agreement;

sixth, to pay to Buyer, the Applicable Percentage of any Principal Payments (to the extent actually deposited into the Securities Account), but only to the extent that such remittance would not result in the creation of a Margin Deficit, to be applied to reduce the outstanding Purchase Price of Purchased Assets, as Buyer shall determine;

seventh, to pay to Buyer any other amounts due and payable from Seller and other applicable Persons to Buyer under the Repurchase Documents; and

eighth, to pay to Seller any remainder for its own account, subject, however, to the covenants and other requirements of the Repurchase Documents.

Section 5.03 After Default or Event of Default. If a Default or Event of Default exists, all Income deposited into the Securities Account in respect of the Purchased Assets shall be applied by Securities Account Bank, on the Business Day next following the Business Day on which each amount of Income is so deposited, in the following order of priority:

first, to pay any custodial fees, expenses and indemnities due and payable under the Custodial Agreement;

second, *pro rata*, (i) to pay to Buyer an amount equal to the Price Differential accrued with respect to all Purchased Assets as of such date and (ii) to pay to any Affiliated Hedge Counterparty an amount equal to all amounts (other than termination payments) payable with respect to each related Interest Rate Protection Agreement;

third, to pay to Buyer an amount equal to all default interest, late fees, fees, expenses and Indemnified Amounts then due and payable from Seller and other applicable Persons to Buyer and other Indemnified Persons under the Repurchase Documents;

fourth, pro rata, (i) to pay to Buyer an amount equal to the aggregate Repurchase Price of all Purchased Assets (to be applied in such order and in such amounts as determined by Buyer, until such Repurchase Price has been reduced to zero) plus all other amounts due to Buyer under the Repurchase Documents and (ii) to pay to any Affiliated Hedge Counterparty an amount equal to all termination payments payable with respect to each related Interest Rate Protection Agreement;

fifth, to pay to Buyer all other Repurchase Obligations due to Buyer; and

sixth, to pay to Seller any remainder for its own account; provided, however, that in the event that Buyer has exercised the remedies described in Section 10.02(d)(ii) with respect to any or all Purchased Assets, Seller shall not be entitled to any proceeds from any eventual sale of such Purchased Assets.

Section 5.04 Seller to Remain Liable.

If the amounts remitted to Buyer and any Affiliated Hedge Counterparty as provided in Sections 5.02 and 5.03 are insufficient to pay all amounts due and payable from Seller to Buyer and such Affiliated Hedge Counterparty under this Agreement or any Repurchase Document on a Remittance Date, a Repurchase Date, upon the occurrence of an Event of Default or otherwise, Seller shall nevertheless remain liable for and shall pay to Buyer and such Affiliated Hedge Counterparty when due all such amounts.

ARTICLE 6

CONDITIONS PRECEDENT

Section 6.01 Conditions Precedent to Initial Transaction. Buyer shall not be obligated to enter into any Transaction or purchase any Asset until the following conditions have been satisfied in the discretion of Buyer, or waived by Buyer, on and as of the Closing Date and the initial Purchase Date:

(a) Buyer has received the following documents, each dated the Closing Date or as of the Closing Date unless otherwise specified: (i) each Repurchase Document duly executed and delivered by the parties thereto, (ii) an official good standing certificate dated a recent date with respect to Seller, (iii) customary certificates of the secretary or an assistant secretary of Seller with respect to attached copies of the Governing Documents and applicable resolutions of Seller, and the incumbencies and signatures of officers of Seller executing the Repurchase Documents to which it is a party, evidencing the authority of Seller with respect to the execution, delivery and performance thereof, (iv) a Closing Certificate, (v) an executed power of attorney of Seller in the form of Exhibit G, (vi) such opinions from counsel to Seller as Buyer may require, including with respect to corporate matters, enforceability, non-contravention, no consents or approvals required other than those that have been obtained, perfected security interests in the Purchased Assets, and any other collateral pledged pursuant to the Repurchase Documents, Investment Company Act matters and the applicability of Bankruptcy Code safe harbors, and (vii) all other documents, certificates, information, financial statements, reports, approvals and opinions of counsel as Buyer may require;

(b) (i) UCC financing statements have been filed against Seller in all filing offices required to perfect the security interest granted herein, (ii) Buyer has received such searches of UCC filings, tax liens, judgments, pending litigation and other matters relating to Seller and the Purchased Assets as Buyer may require, and (iii) the results of such searches are satisfactory to Buyer;

(c) Buyer has received payment from Seller of all fees and expenses then payable under the Fee Letter and the other Repurchase Documents, as contemplated by Section 13.02;

(d) Seller has paid to Buyer the Structuring Fee; and

(e) Buyer has completed to its satisfaction such due diligence and modeling as it may require.

Buyer acknowledges and agrees that, upon Buyer entering into a Transaction on the first Purchase Date, any and all conditions precedent set forth in this Section 6.01 shall be deemed satisfied or waived in writing by Buyer, unless otherwise specifically provided in a separate writing delivered by Buyer to Seller on or prior to such first Purchase Date.

Section 6.02 Conditions Precedent to All Transactions. Buyer shall not be obligated to enter into any Transaction or purchase any Asset (as determined or waived by
Buyer) until the following additional conditions have been satisfied in the discretion of Buyer, or waived by Buyer, with respect to each Asset on and as of the Purchase Date therefor:

(a) Buyer has received the following documents: (i) an Underwriting Package, (ii) a Confirmation, (iii) a trust receipt and other items required to be delivered under the Custodial Agreement, and (iv) all other documents, certificates, information, financial statements, reports, approvals and opinions of counsel as Buyer may require;

(b) immediately before such Transaction and after giving effect thereto and to the intended use thereof, no Representation Breach (including with respect to any Purchased Asset), Default, Event of Default, Margin Deficit, Material Adverse Effect or Market Disruption Event exists;

(c) Buyer has completed its due diligence review of the Underwriting Package, Asset Documents and such other documents, records and information as Buyer deems appropriate, and the results of such reviews are satisfactory to Buyer;

(d) Buyer has (i) determined that such Asset is an Eligible Asset, (ii) approved the purchase of such Asset, (iii) obtained all necessary internal credit and other approvals for such Transaction, and (iv) executed the Confirmation;

(e) the aggregate outstanding Purchase Price of all Transactions does not exceed the Maximum Amount after giving effect to such Transaction;

(f) the Purchase Date is not later than the Funding Expiration Date and the Repurchase Date is not later than the Facility Termination Date;

(g) Seller and Custodian have satisfied all requirements and conditions and have performed all covenants, duties, obligations and agreements contained in the Repurchase Documents to be performed by such Person on or before the Purchase Date;

(h) if requested by Buyer, such opinions from counsel to Seller and Guarantor as Buyer may require, including, without limitation, with respect to the perfected security interest in the Purchased Assets and any other collateral pledged pursuant to the Repurchase Document; and

(i) Buyer has received a copy of any Interest Rate Protection Agreement and related documents entered into with respect to such Asset, Seller has assigned to Buyer all of Seller's rights (but none of its obligations) under such Interest Rate Protection Agreement and related documents, and no termination event (other than any Mandatory Reduction Event, as defined in the related Interest Rate Protection Agreement), default or event of default (however defined) exists thereunder.

Each Confirmation delivered by Seller shall constitute a certification by Seller that all of the conditions precedent in this Article 6 (other than those conditions which are expressly satisfied based upon Buyer's determination, satisfaction or approval) have been satisfied, unless such failure was set forth in an exceptions schedule to the relevant Confirmation or otherwise waived in writing by Buyer on or before the related Purchase Date.

The failure of Seller to satisfy any of the conditions precedent in this Article 6 with respect to any Transaction or Purchased Asset shall, unless such failure was set forth in an exceptions schedule to the relevant Confirmation or otherwise waived in writing by Buyer on or before the related Purchase Date, give rise to the right of Buyer at any time to rescind the related Transaction, whereupon Seller shall, within three (3) Business Days of written notice of such rescission, pay to Buyer and any Affiliated Hedge Counterparty the Repurchase Price of such Purchased Asset.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants, on and as of the date of this Agreement, each Purchase Date, and at all times when any Repurchase Document or Transaction is in full force and effect, except as set forth in Schedule 2, as follows:

Section 7.01 Seller. Seller has been duly organized and validly exists in good standing as a corporation, limited liability company or limited partnership, as applicable, under the laws of the jurisdiction of its incorporation, organization or formation. Seller (a) has all requisite power, authority, legal right, licenses and franchises, (b) is duly qualified to do business in all jurisdictions necessary, and (c) has been duly authorized by all necessary action, to (w) own, lease and operate its properties and assets, (x) conduct its business as presently conducted, (y) execute, deliver and perform its obligations under the Repurchase Documents to which it is a party, and (z) acquire, own, sell, assign, pledge and repurchase the Purchased Assets. As of the Closing Date, RCC Commercial, Inc.'s exact legal name is set forth in the preamble and signature pages of this Agreement. As of the Closing Date, RCC Commercial, Inc.'s location (within the meaning of Article 9 of the UCC) is the State of

Delaware, and the office where RCC Commercial, Inc. keeps all records (within the meaning of Article 9 of the UCC) relating to its Purchased Assets is at the address of RCC Commercial, Inc. referred to in Annex II. RCC Commercial, Inc. has not changed its legal name or location (within the meaning of Article 9 of the UCC) within the twelve (12) months immediately preceding the Closing Date. RCC Commercial, Inc.'s organizational identification number is 3930249 and its tax identification number is20 2383712. As of the Closing Date, RCC Real Estate, Inc.'s exact legal name is set forth in the preamble and signature pages of this Agreement. As of the Closing Date, RCC Real Estate, Inc.'s location (within the meaning of Article 9 of the UCC) is the State of Delaware, and the office where RCC Real Estate, Inc. keeps all records (within the meaning of Article 9 of the UCC) relating to its Purchased Assets is at the address of RCC Real Estate, Inc. referred to in Annex II. RCC Real Estate, Inc. has not changed its legal name or location (within the meaning of Article 9 of the UCC) within the twelve (12) months immediately preceding the Closing Date. RCC Real Estate, Inc.'s organizational identification number is 3930259 and its tax identification number is 20 2383683. Seller is a wholly-owned Subsidiary of Guarantor. The fiscal year of Seller is the calendar year.

Section 7.02 Repurchase Documents. Each Repurchase Document to which Seller is a party has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforceability may be limited by Insolvency Laws and general principles of equity. The execution, delivery and performance by Seller of each Repurchase Document to which it is a party do not and will not (a) conflict with, result in a breach of, or constitute (with or without notice or lapse of time or both) a default under, any (i) Governing Document, Indebtedness, Guarantee Obligation or Contractual Obligation applicable to Seller or any of its properties or assets, (ii) Requirements of Law, or (iii) approval, consent, judgment, decree, order or demand of any Governmental Authority, or (b) result in the creation of any Lien (other than Permitted Liens) on any of the properties or assets of Seller. All approvals, authorizations, consents, orders, filings, notices or other actions of any Person or Governmental Authority required for the execution, delivery and performance by Seller of the Repurchase Documents to which it is a party and the sale of and grant of a security interest in each Purchased Asset to Buyer, have been obtained, effected, waived or given and are in full force and effect. The execution, delivery and performance of the Repurchase Documents by Seller do not require compliance by Seller with any "bulk sales" or similar law. There is no material litigation, proceeding or investigation pending or, to the Knowledge of Seller threatened, against Seller, Manager or Guarantor before any Governmental Authority (a) asserting the invalidity of any Repurchase Document, (b) seeking to prevent the consummation of any Transaction, or (c) that has a Material Adverse Effect.

Section 7.03 Solvency. None of Seller, Manager or Guarantor is or ever has been the subject of an Insolvency Proceeding. Seller, Manager and Guarantor are Solvent and the Transactions do not and will not render Seller, Manager or Guarantor not Solvent. Seller is not entering into the Repurchase Documents or any Transaction with the intent to hinder, delay or defraud any creditor of Seller, Manager or Guarantor. Seller has received or will receive reasonably equivalent value for the Repurchase Documents and each Transaction. Seller has adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. Seller is generally able to pay, and as of the date hereof is paying, its debts as they come due.

Section 7.04 Taxes. Seller and Guarantor and each Affiliate of Seller and Guarantor have timely filed all required federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and have timely paid all material taxes (including mortgage recording taxes), assessments, fees, and other governmental charges payable by them, or with respect to any of their properties or assets, which have become due except for any such taxes, assessments, fees and other governmental charges that either (i) are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP or (ii) collectively, do not exceed an amount equal to $10,000 as of the Closing Date and $25,000 at any time thereafter. No Liens for Taxes (other than Permitted Liens) have been filed against any assets of Seller, Guarantor or any Affiliate of Seller or Guarantor, and no claim is currently being asserted with respect to any Taxes of such Persons, unless either (i) such Liens or claims relate to Taxes, assessments, fees and other governmental charges that are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP or (ii) collectively, such Taxes and claims (without duplication) do not exceed $10,000 as of the Closing Date and $25,000 at any time thereafter.

Section 7.05 Financial Condition. The audited balance sheet of Guarantor as at the fiscal year most recently ended for which such audited balance sheet is available, and the related audited statements of income and retained earnings and of cash flows for the fiscal year then ended, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification arising out of the audit conducted by Guarantor's independent certified public accountants, copies of which have been delivered to Buyer, are complete and correct in all material respects and present fairly in all material respects the financial condition of Guarantor as of such date and the results of its operations and cash flows for the fiscal year then ended. All such financial statements, including related schedules and notes, were prepared in accordance with GAAP except as disclosed therein.

Section 7.06 True and Complete Disclosure. The written information, reports, certificates, documents, financial statements, operating statements, forecasts, books, records, files, exhibits and schedules furnished by or on behalf of Seller to Buyer in connection with the Repurchase Documents and the Transactions, when taken as a whole, do not contain any untrue statement of material fact or 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 in any material respect; provided that with respect to projected financial information, budgets and other forecasts and estimates, Seller represents and warrants only that such information, budgets, forecasts and estimates were prepared in good faith based upon assumptions believe to be reasonable at the time. All written information furnished after the date hereof by or on behalf of Seller and delivered to Buyer in connection with the Repurchase Documents and Transactions will be true, correct and complete in all material respects, or in the case of projections will be based on reasonable estimates prepared and presented in good faith, on the date as of which such information is stated or certified.

Section 7.07 Compliance with Laws. Seller has complied in all material respects with all Requirements of Laws, and no Purchased Asset contravenes any Requirements of Laws. Neither Seller nor any Affiliate of Seller (a) is an "enemy" or an "ally of the enemy" as defined in the Trading with the Enemy Act of 1917, (b) is in violation of any Anti-Terrorism Law, (c) is a blocked person described in Section 1 of Executive Order 13224 or to its Knowledge engages in any dealings or transactions or is otherwise associated with any such blocked person, (d) is in violation of any country or list based economic and trade sanction administered and enforced by the Office of Foreign Assets Control, (e) is a Sanctioned Entity, (f) has more than 10% of its assets located in Sanctioned Entities, or (g) derives more than 10% of its operating income from investments in or transactions with Sanctioned Entities. The proceeds of any Transaction have not been and will not be used to fund any operations in, finance any investments or activities in or make any payments to a Sanctioned Entity. Seller is a "qualified purchaser" as defined in the Investment Company Act. None of Seller, Manager or Guarantor (a) is a "broker" or "dealer" as defined in, or could be subject to a liquidation proceeding under, the Securities Investor Protection Act of 1970, or (b) is subject to regulation by any Governmental Authority limiting its ability to incur the Repurchase Obligations. Seller and all Affiliates of Seller are in compliance with the Foreign Corrupt Practices Act of 1977 and any foreign counterpart thereto. Neither Seller nor any Affiliate of Seller has made, offered, promised or authorized a payment of money or anything else of value (a) in order to assist in obtaining or retaining business for or with, or directing business to, any foreign official, foreign political party, party official or candidate for foreign political office, (b) to any foreign official, foreign political party, party official or candidate for foreign political office, or (c) with the intent to induce the recipient to misuse his or her official position to direct business wrongfully to Seller, any Affiliate of Seller or any other Person, in violation of the Foreign Corrupt Practices Act.

Section 7.08 Compliance with ERISA. With respect to Seller, Guarantor or any ERISA Affiliate thereof, during the immediately preceding five (5) year period, (a) neither a Reportable Event nor a material "accumulated funding deficiency" nor a material "unpaid minimum required contribution" as defined in the Code or ERISA has occurred, (b) each Plan has complied in all material respects with the applicable provisions of the Code and ERISA, (c) no termination of a Single Employer Plan has occurred resulting in any liability that has remained unfunded, and (d) no Lien in favor of the PBGC or a Plan has arisen that has not been discharged. The present value of all accumulated benefit obligations under each Single Employer Plan (determined using the funding methods and assumptions of such Plan) relating to Seller, Guarantor or any ERISA Affiliate thereof did not, as of the last annual valuation date prior to the date hereof, exceed the value of the assets of such Plan allocable to such accumulated benefit obligations. Neither Seller nor any ERISA Affiliate is currently subject to any liability for a complete or partial withdrawal from a Multiemployer Plan. Each of Seller and Guarantor do not provide any 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 (collectively, "COBRA"). None of the assets of Seller or Guarantor are deemed to be plan assets within the meaning of 29 C.F.R. 2510.3-101 as modified by Section 3(42) of ERISA.

Section 7.09 No Default or Material Adverse Effect. No Default or Event of Default exists. No default or event of default (however defined) which has or is reasonably likely to have a Material Adverse Effect on Seller exists under any Indebtedness, Guarantee Obligations or Contractual Obligations of Seller. Seller believes that it is and will be able to perform each agreement,

duty, obligation and covenant contained in the Repurchase Documents to which it is a party and that it is not subject to any agreement, obligation, restriction or Requirements of Law that would unduly burden its ability to do so or could reasonably be expected to have a Material Adverse Effect. Seller has no Knowledge of any actual or prospective development, event or other fact that could reasonably be expected to have a Material Adverse Effect. To Seller's Knowledge, no Internal Control Event has occurred and is continuing that would reasonably be expected to have a Material Adverse Effect.

Section 7.10 Purchased Assets. Each Purchased Asset is an Eligible Asset. Each representation and warranty of Seller set forth in the Repurchase Documents (including in Schedule 1) and in the Asset Documents (to the extent any are made therein) with respect to each Purchased Asset is true and correct. The review and inquiries made on behalf of Seller in connection with the next preceding sentence have been made by Persons having the requisite expertise, knowledge and background to verify such representations and warranties. Seller has complied with all requirements of the Custodial Agreement with respect to each Purchased Asset, including delivery to Custodian of all required Asset Documents. Seller has no Knowledge of any fact that could reasonably lead it to expect that any Purchased Asset will not be paid in full. No Purchased Asset is the subject of any compromise, adjustment, extension, satisfaction, subordination, rescission, setoff, counterclaim, defense, abatement, suspension, deferment, deduction, reduction, termination or modification, whether arising out of transactions concerning such Purchased Asset or otherwise, by Seller, Guarantor or any Affiliate of Seller or Guarantor, Transferor, or other Person, except as set forth in the Asset Documents delivered to Buyer or in the related Confirmation. No procedures believed by Seller to be adverse to Buyer were utilized by Seller in identifying or selecting the proposed Purchased Assets for sale to Buyer. Each proposed Purchased Asset was underwritten in accordance with and satisfies applicable standards established by Seller and Guarantor. None of the Asset Documents has any marks or notations added by or on behalf of Seller indicating that it has been sold, assigned, pledged, encumbered or otherwise conveyed by Seller to any Person other than Buyer. If any Asset Document requires the holder or transferee of the related Purchased Asset to be a qualified transferee, qualified institutional lender or qualified lender (however defined), Seller meets such requirement. Assuming that Buyer also meets such requirement, the assignment and pledge of such Purchased Asset to Buyer pursuant to the Repurchase Documents do not violate such Asset Document. Seller and all Affiliates of Seller have no Retained Interests. Seller and all Affiliates of Seller (a) have sold and transferred all Servicing Rights with respect to the Purchased Assets to Buyer, (b) have not previously assigned any such Servicing Rights to any other Person and (c) have no Retained Interests.

Section 7.11 Purchased Assets Acquired from Transferors. With respect to each Purchased Asset purchased by Seller or an Affiliate of Seller from a Transferor, (a) such Purchased Asset was acquired and transferred pursuant to a Purchase Agreement, (b) such Transferor received reasonably equivalent value in consideration for the transfer of such Purchased Asset, (c) no such transfer was made for or on account of an antecedent debt owed by such Transferor to Seller or an Affiliate of Seller, (d) no such transfer is or may be voidable or subject to avoidance under the Bankruptcy Code, and (e) the representations and warranties made by such Transferor to Seller or such Affiliate in such Purchase Agreement are hereby incorporated herein *mutatis mutandis* and are hereby remade by Seller to Buyer on each date as of which they speak in such Purchase Agreement.

Section 7.12 Transfer and Security Interest. The Repurchase Documents constitute a valid and effective transfer to Buyer of all right, title and interest of Seller in, to and under all Purchased Assets (together with all related Servicing Rights), free and clear of any Liens (other than Permitted Liens). With respect to the protective security interest granted by Seller in Section 11.01, upon the delivery of the Confirmations and the Asset Documents to Custodian, the execution and delivery of the Custodial Agreement by Seller, Buyer, Custodian and Securities Intermediary and the filing of the UCC financing statements as provided herein, such security interest shall be a valid first-priority perfected security interest to the extent such security interest can be perfected by possession, filing or control under the UCC, subject only to Permitted Liens. Upon receipt by Custodian of each Asset Document required to be endorsed in blank by Seller and payment by Buyer of the Purchase Price for the related Purchased Asset, Buyer shall either own such Purchased Asset or have a valid first-priority perfected security interest in such Purchased Asset. The Purchased Assets constitute the following, as defined in the UCC: a general intangible, instrument, investment property, security, deposit account, financial asset, uncertificated security, securities account, or security entitlement. Seller has not sold, assigned, pledged, encumbered or otherwise conveyed any of the Purchased Assets to any Person other than pursuant to the Repurchase Documents. Seller has not authorized the filing of and is not aware of any UCC financing statements filed against Seller as debtor that include the Purchased Assets, other than any financing statement that has been terminated or has been or will be filed pursuant to this Agreement or for which a release of such Purchased Asset has been filed.

Section 7.13 No Broker. Neither Seller nor any Affiliate of Seller has dealt with any broker, investment banker, agent or other Person, except for Buyer or an Affiliate of Buyer, who may be entitled to any commission or compensation in connection with any Transaction.

Section 7.14 Interest Rate Protection Agreements. (a) Seller has entered into all Interest Rate Protection Agreements required under Section 8.11, (b) each such Interest Rate Protection Agreement is in full force and effect, but only to the extent that the related Purchased Asset has not previously been reconveyed to Seller by Buyer in accordance with this Agreement, (c) no termination event (other than any Mandatory Reduction Event, as defined in the related Interest Rate Protection Agreement) or event of default (however defined) exists thereunder, and (d) Seller has effectively assigned to Buyer all Seller's rights (but none of its obligations) under such Interest Rate Protection Agreement.

Section 7.15 Investment Company Act. Neither Seller nor Guarantor is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act, or otherwise required to register under the Investment Company Act.

Section 7.16 Chief Executive Office; Jurisdiction of Organization.

(a) The jurisdiction of organization of RCC Commercial, Inc. on the date of this Agreement is Delaware. RCC Commercial, Inc. has not, prior to the Closing Date, changed its jurisdiction of organization. The jurisdiction of organization of RCC Real Estate, Inc. on the date of this Agreement is Delaware. RCC Real Estate, Inc. has not, prior to the Closing Date, changed its jurisdiction of organization.

(b) During the preceding five (5) years, Guarantor has not filed or had filed against it any bankruptcy, receivership or similar petitions nor has it made any general assignment for the benefit of creditors.

Section 7.17 REIT Status. Guarantor is a REIT and has not engaged in any "prohibited transactions" as defined in Sections 857(b)(6)(B)(iii) and (C) of the Code. Guarantor for its current taxable year 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 taxable year for which it claims a deduction in its Form 1120-REIT filed with the IRS. Seller is a "qualified REIT subsidiary" of Guarantor, within the meaning of Section 856(i)(2) of the Code.

ARTICLE 8

COVENANTS OF SELLER

From the date hereof until the Repurchase Obligations are paid in full and the Repurchase Documents are terminated, Seller shall perform and observe the following covenants, which shall be given independent effect (so that if a particular action or condition is prohibited by any covenant, the fact that it would be permitted by an exception to or be otherwise within the limitations of another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists):

Section 8.01 Existence; Governing Documents; Conduct of Business. Seller shall (a) preserve and maintain its legal existence, (b) qualify and remain qualified in good standing in each jurisdiction where the failure to be so qualified would have a Material Adverse Effect, (c) comply with its Governing Documents, and (d) not modify, amend or terminate its Governing Documents, except to the extent that such modification or amendment would not have a material adverse effect on the ability of Seller to perform its obligations under the Repurchase Documents. Seller shall (a) continue to engage in the same or similar general lines of business as presently conducted by it and any lines of business related, incidental or complementary thereto and (b) maintain and preserve all of its material rights, privileges, licenses and franchises necessary for the operation of its business, and (c) maintain Seller's status as a qualified transferee, qualified institutional lender or qualified lender (however defined) under the Asset Documents. Seller shall not (a) change its name, organizational number, tax identification number, fiscal year, method of accounting (from accrual accounting), identity, structure or jurisdiction of organization (or have more than one such jurisdiction), unless in each case Seller has given at least thirty (30) days prior notice to Buyer and promptly after such change takes all actions, if any, required under the UCC to continue the first-priority (subject only to Permitted Liens) perfected security interest of Buyer in the Purchased Assets. Seller shall enter into each Transaction as principal, unless Buyer agrees before a Transaction that Seller may enter into such Transaction as agent for a principal and under terms and conditions disclosed to Buyer.

Section 8.02 Compliance with Laws, Contractual Obligations and Repurchase Documents. Seller shall comply in all material respects with all Requirements of Laws, including those relating to any Purchased Asset and to the reporting and payment of taxes. No part of the proceeds of any Transaction shall be used for any purpose that violates Regulation T, U or X of the Board of Governors of the Federal Reserve System. Seller shall conduct the requisite due diligence, if any, in connection with the acquisition of each Asset for purposes of complying with the Anti–Terrorism Laws. Seller shall maintain the Custodial Agreement in full force and effect. Seller shall not directly or indirectly enter into any agreement that would be violated or breached by any Transaction or the performance by Seller of any Repurchase Document.

Section 8.03 Structural Changes. Seller shall not enter into a merger or consolidation, or liquidate, wind up or dissolve, or sell all or substantially all of its assets or properties, or permit any changes in the ownership of its Equity Interests, without the written consent of Buyer and prior written notice to each Affiliated Hedge Counterparty. Seller shall ensure that all Equity Interests of Seller shall continue to be owned by the owner or owners thereof as of the date hereof. Seller shall ensure that no Purchased Asset shall be pledged to any Person other than Buyer.

Section 8.04 Protection of Buyer's Interest in Purchased Assets. With respect to each Purchased Asset, Seller shall take all action necessary or required by the Repurchase Documents or Requirements of Law or reasonably requested by Buyer, to perfect, protect and more fully evidence Buyer's ownership of and first-priority perfected (subject only to Permitted Liens) security interest in such Purchased Asset, including executing or causing to be executed such other instruments or notices as may be necessary or appropriate and filing and maintaining effective UCC financing statements, continuation statements and assignments and amendments thereto. Seller shall comply with all requirements of the Custodial Agreement with respect to each Purchased Asset, including the delivery to Custodian of all required Asset Documents in its possession. Seller shall (a) not assign, sell, transfer, pledge, hypothecate, grant, create, incur, assume or suffer or permit to exist any security interest in or Lien (other than Permitted Liens) on any Purchased Asset to or in favor of any Person other than to or in favor of Buyer and other than any security interest or Lien by or through Buyer, (b) defend such Purchased Asset against, and take such action as is necessary to remove, any such Lien, and (c) defend the right, title and interest of Buyer in and to all Purchased Assets against the claims and demands of all Persons whomsoever (other than holders of Permitted Liens and holders of claims and demands created by or through Buyer). Notwithstanding the foregoing, if Seller grants a Lien on any Purchased Asset in violation of this Section 8.04 or any other Repurchase Document, Seller shall be deemed to have simultaneously granted an equal and ratable Lien on such Purchased Asset in favor of Buyer and Affiliated Hedge Counterparties to the extent such Lien has not already been granted to Buyer and Affiliated Hedge Counterparties; provided, that such equal and ratable Lien shall not cure any resulting Event of Default. Seller shall not materially amend, modify, waive or terminate any provision of any Purchase Agreement. Seller shall not consent to any material extension, amendment, waiver, termination, rescission, cancellation, release or other modification of the material terms of, or any material collateral, guaranty or indemnity for, or the exercise of any material right or remedy of a holder of, any Purchased Asset that materially and adversely affects the interests of Buyer in any Purchased Asset without the prior written consent of Buyer. Seller shall mark its computer records and tapes to evidence the interests granted to Buyer hereunder. Seller shall not take any action to cause any Purchased Asset that is not evidenced by an instrument or chattel paper (as defined in the UCC) to be so evidenced unless the next sentence is complied with. If a Purchased Asset becomes evidenced by an instrument or chattel paper, the same shall be promptly delivered to Custodian on behalf of Buyer, together with endorsements reasonably required by Buyer.

Section 8.05 Actions of Seller Relating to Liens. Seller shall not (a) contract, create, incur, assume or permit to exist any Lien on or with respect to any Purchased Asset, except for Permitted Liens, or (b) except as provided in the preceding clause (a), grant, allow or enter into any agreement or arrangement with any Person that prohibits or restricts or purports to prohibit or restrict the granting of any Lien on any Purchased Asset.

Section 8.06 Maintenance of Property, Insurance and Records. Seller shall (a) keep all tangible property useful and necessary in its business in good working order and condition, (b) maintain insurance on all its tangible properties in accordance with customary and prudent practices of companies engaged in the same or a similar business, and (c) furnish to Buyer upon request information and certificates with respect to such insurance. Seller shall maintain and implement administrative and operating procedures (including the ability to recreate records relating to the Purchased Assets if the original records are destroyed) and shall keep and maintain all documents, books, records and other information (including with respect to the Purchased Assets) that are reasonably necessary or advisable in the conduct of its business.

Section 8.07 Tax Treatment of Seller and Guarantor. Seller and Guarantor and each Affiliate of Seller and Guarantor shall timely file or cause to be filed all required federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and shall timely pay all material taxes, assessments, fees and other governmental charges payable by them or imposed with respect to any of their properties or assets, except for any such Taxes, assessments, fees and other governmental charges that either (i) are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP or (ii) collectively, do not exceed an amount equal to $10,000 as of the Closing Date and $25,000 at any time thereafter.

Section 8.08 Delivery of Income. Seller shall deposit, or cause to be deposited, all Income in respect of the Purchased Assets into the Securities Account in accordance with Section 5.01 hereof on the day the related payments are due to be made to the holder thereof pursuant to the related Asset Documents. In connection with each principal payment or prepayment under a Purchased Asset, Seller shall, upon Buyer's request, provide, or cause to be provided, to Buyer sufficient detail to enable Buyer to identify the Purchased Asset to which such payment applies. If Seller receives any certificates evidencing ownership or instruments with respect to any Purchased Assets, whether in addition to, in substitution of, as a conversion of, or in exchange for, any such Purchased Assets or otherwise in respect thereof, Seller shall accept the same as Buyer's agent, hold the same in trust for Buyer and promptly deliver the same to Buyer or its designee in the exact form received (or if required under the Custodial Agreement to be delivered to Custodian, to Custodian), together with duly executed instruments of transfer, stock powers or assignment in blank and such other documentation as Buyer (or Custodian, if applicable) shall reasonably request. If any Income is received by Seller, Guarantor or any Affiliate of Seller or Guarantor with respect to any Purchased Asset, Seller shall pay or deliver such Income to Buyer or Custodian on behalf of Buyer or cause such Income to be credited to same in the Securities Account within two (2) Business Days after receipt and, until so paid or delivered, hold such Income in trust for Buyer.

Section 8.09 Delivery of Financial Statements and Other Information.

Seller shall deliver the following to Buyer, as soon as available and in any event within the time periods specified:

(a) within forty-five (45) days after the end of each fiscal quarter and each fiscal year of Guarantor, (i) the unaudited balance sheet of Guarantor as at the end of such period, (ii) the related unaudited statements of income, retained earnings and cash flows for such period and the portion of the fiscal year through the end of such period, setting forth in each case in comparative form the figures for the previous year, and (iii) a Compliance Certificate;

(b) within ninety (90) days after the end of each fiscal year of Guarantor, (i) the audited balance sheet of Guarantor as at the end of such fiscal year, (ii) the related statements of income, retained earnings and cash flows of Guarantor for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year of Guarantor, (iii) 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 financial statements fairly present in all material respects the financial condition and results of operations of Guarantor as at the end of and for such fiscal year in accordance with GAAP, (iv) a certification from such accountants that, in making the examination necessary therefor, no actual knowledge was obtained as to a breach as of the end of such fiscal year of any financial covenants with respect to Guarantor contained in the Repurchase Documents except as specified therein, (v) projections of Guarantor of the operating budget and cash flow budget of Guarantor for the following fiscal year, and (vi) a Compliance Certificate;

(c) all reports submitted to Guarantor by its independent certified public accountants in connection with each annual, interim or special audit of the books and records of Guarantor made by such accountants, including any management letter commenting on Guarantor's internal controls;

(d) all financial statements and material reports, notices and other documents that Guarantor sends generally to holders of its Equity Interests or makes to or files with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, promptly after the delivery or filing thereof; and

(e) such other information regarding the financial condition, operations or business of Seller or Guarantor as Buyer may reasonably request.

Notwithstanding the foregoing, the obligations of Seller to deliver financial statements pursuant to Section 8.09(a) or (b) will be satisfied by furnishing either (A) the applicable financial statements of Guarantor, or (B) Guarantor's Form 10-Q or 10-K, as applicable, filed with the SEC, and such materials may be delivered to Buyer electronically.

Section 8.10 Delivery of Notices.

Seller shall promptly notify Buyer and any other Affiliated Hedge Counterparty of the occurrence of any of the following of which Seller has Knowledge, together with a certificate of a Responsible Officer of Seller setting forth details of such occurrence and any action Seller has taken or proposes to take with respect thereto:

(a) a Representation Breach;

(b) any of the following: (i) with respect to any Purchased Asset: material decline in Market Value, material loss, violation of Requirements of Law or any other actual or expected event or change in circumstances that could reasonably be expected to result in a default or material decline in value or cash flow with respect to such Purchased Asset, and (ii) with respect to Seller or Guarantor: violation of Requirements of Law, material decline in the value of Seller's or Guarantor's assets or properties, an Internal Control Event or other event or circumstance that could reasonably be expected to have a Material Adverse Effect;

(c) the existence of any Default, Event of Default or material default under or related to a Purchased Asset, or Asset Document or under any Indebtedness, Guarantee Obligation or Contractual Obligation of Seller;

(d) the establishment of a rating by any Rating Agency applicable to Seller or Guarantor, and any downgrade in or withdrawal of such rating once established;

(e) the commencement of, settlement of or material judgment in any litigation, action, suit, arbitration, investigation or other legal or arbitrable proceedings before any Governmental Authority that (i) could reasonably be expected to have a material adverse effect on the property, assets, business, operations or financial condition of Seller or Guarantor or a Purchased Asset, (ii) questions or challenges the validity or enforceability of any Repurchase Document, Transaction or Purchased Asset or (iii) individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or

(f) any change in Guarantor's status as a REIT.

Section 8.11 Hedging. With respect to each Purchased Asset that is a Hedge Required Asset, Seller shall enter into one or more Interest Rate Protection Agreements at the direction of and in a form acceptable to Buyer with either (a) an Affiliated Hedge Counterparty or (b) any other Hedge Counterparty, in the case of this clause (b), under an Interest Rate Protection Agreement whose terms require Seller to collateralize all its payment obligations (contingent or otherwise) thereunder, with cash and/or such other collateral acceptable to the related Hedge Counterparty pursuant to an ISDA Credit Support Annex in a form acceptable to Buyer. Seller shall take such actions as Buyer deems necessary to perfect the security interest granted in each Interest Rate Protection Agreement pursuant to Section 11.01, and shall assign to Buyer, which assignment shall be consented to in writing by each Hedge Counterparty, all of Seller's rights in, to and under each Interest Rate Protection Agreement.

Section 8.12 Guarantee Agreement. If at any time (a) the obligations of Guarantor under the Guarantee Agreement shall cease to be in effect, (b) any Insolvency Event has occurred with respect to Guarantor, or (c) any violation of any provision set forth in the Guarantee Agreement (any of the foregoing events, a "Guarantee Default"), then, within sixty (60) days after the occurrence of any such Guarantee Default, cause a replacement guarantor acceptable to Buyer to assume in writing all obligations of Guarantor under the Guarantee Agreement or become a Guarantor, as Buyer deems necessary to correct such Guarantee Default.

Section 8.13 Management Internalization. Seller shall not permit Guarantor to internalize its management without Buyer's prior written approval (which approval shall not be unreasonably withheld, delayed or conditioned).

Section 8.14 REIT Status. Guarantor (i) shall at all times continue to be (A) qualified as a REIT and (B) 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 taxable year for which it claims a deduction in its Form 1120-REIT filed with the IRS, and (ii) shall not enter into any "prohibited transactions" as defined in Sections 857(b)(6)(B)(iii) of the Code. Seller shall at all times continue to be a "qualified REIT subsidiary" of Guarantor, within the meaning of Section 856(i)(2) of the Code.

ARTICLE 9

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, on and as of the date of this Agreement, each Purchase Date, and at all times when any Repurchase Document or Transaction is in full force and effect, as follows:

Section 9.01 Investment Intent and Nature of Buyer. Buyer is acquiring each Purchased Asset for its own account for investment only, and not with a view to any resale or public distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws (it being acknowledged and agreed that Buyer has the right to transfer any or all of the Purchased Assets subject to applicable securities laws and any restrictions under this Agreement). Buyer is: (i) a "qualified institutional buyer" within the meaning of Rule 144A of the Securities Act; and (ii) a "qualified purchaser" within the meaning of the Investment Company Act of 1940, as amended.

Section 9.02 Not a Plan. Buyer is not (a) a retirement plan, an employee benefit plan or other plan or arrangement, including an individual retirement account or annuity, a Keogh plan or a collective investment fund or separate account in which such plans, accounts or arrangements are invested, including an insurance company general account, that is subject to Title I (including the fiduciary responsibility provisions) of ERISA or Section 4975 of the Code, or any federal, state, foreign or local law that is, to a material extent, similar to the foregoing provisions of ERISA or the Code (each, a "Plan"), or any entity that is deemed to hold Plan assets of the foregoing by reason of such Plan's investment in such entity, (b) a "benefit plan investor" (as defined in U.S. Department of Labor regulation, 29 C.F.R. Section 2510.3-101(f)), or (c) a person who is directly or indirectly purchasing any Purchased Asset on behalf of, as named fiduciary of, as trustee of, or with the assets of, a Plan or a "benefit plan investor."

ARTICLE 10

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default. Each of the following events shall be an "Event of Default":

(a) Seller fails to make a payment of (i) Margin Deficit or Repurchase Price (other than Price Differential) when due, whether by acceleration or otherwise, (ii) Price Differential within two (2) Business Days of when the same shall become due and payable, or (iii) any other amount when due, in each case under the Repurchase Documents within three (3) Business Days of when the same shall become due and payable (except that any such failure shall not be an Event of Default if sufficient funds are on deposit in the Securities Account and the Securities Account Bank has not remitted such funds to Buyer on a timely basis);

(b) Seller fails to observe or perform in any material respect any other Repurchase Obligation of Seller under the Repurchase Documents (other than a Representation Breach), and (except in the case of a failure to perform or observe the Repurchase Obligations of Seller under Section 8.04 and 18.08(a)) such failure continues unremedied for ten (10) days after the earlier of receipt of notice thereof from Buyer or the discovery of such failure by Seller;

(c) any Representation Breach exists and continues unremedied for ten (10) days after the earlier of receipt of written notice thereof from Buyer or the discovery of such failure by Seller;

(d) Seller or Guarantor defaults beyond any applicable grace period in paying any amount or performing any obligation under any Indebtedness, Guarantee Obligation or Contractual Obligation with an outstanding amount of at least $10,000,000 with respect to Seller, or $10,000,000 with respect to Guarantor (and such default is not cured or waived), and the effect of such default is to permit the acceleration thereof (regardless of whether such acceleration occurs);

(e) Seller, Guarantor or any Affiliate of Seller or Guarantor defaults beyond any applicable grace period in paying any amount or performing any Indebtedness with an outstanding amount of at least $1,000,000 due to Buyer or any Affiliate of Buyer under any other financing, hedging, security or other agreement (other than under this Agreement or any other Repurchase Document) between Seller, Guarantor or any Affiliate of Seller or Guarantor and Buyer or any Affiliate of Buyer;

(f) an Insolvency Event occurs with respect to Seller or Guarantor; provided, however, that such Insolvency Event, if an involuntary Insolvency Event with respect to Guarantor, shall be an Event of Default only if Section 8.12 is not complied with within forty-five (45) days;

(g) a Change of Control occurs with respect to Seller, Manager or Guarantor;

(h) a final judgment or judgments for the payment of money in excess of $10,000,000 with respect to Seller, or $10,000,000 with respect to Guarantor in the aggregate that is not insured against is entered against Seller or Guarantor by one or more Governmental Authorities and the same is not satisfied, discharged (or provision has not been made for such discharge) or bonded, or a stay of execution thereof has not been procured, within forty-five (45) days from the date of entry thereof;

(i) a Governmental Authority takes any action to (i) condemn, seize or appropriate, or assume custody or control of, all or any substantial part of the property of Seller, (ii) displace the management of Seller or curtail its authority in the conduct of the business of Seller, (iii) terminate the activities of Seller as contemplated by the Repurchase Documents, or (iv) remove, limit or restrict the approval of Seller of the foregoing as an issuer, buyer or a seller of securities, and in each case such action is not discontinued or stayed within forty-five (45) days;

(j) Seller, Guarantor or any Affiliate of Seller or Guarantor admits in writing that it is not Solvent or is not able or not willing to perform any of its Repurchase Obligations, or any of its material Contractual Obligations, Guarantee Obligations, Capital Lease Obligations or Off-Balance Sheet Obligations;

(k) any material provision of the Repurchase Documents, any right or remedy of Buyer or obligation, covenant, agreement or duty of Seller thereunder, or any Lien, security interest or control granted under or in connection with the Repurchase Documents or Purchased Assets terminates (other than in accordance with any Repurchase Documents or with consent of Buyer), is declared null and void by a judgment of a court of competent authority, ceases to be valid and effective, ceases to be the legal, valid, binding and enforceable obligation of Seller or Guarantor, or the validity, effectiveness, binding nature or enforceability thereof is contested, challenged, denied or repudiated by Seller or any other Person, in each case directly, indirectly, in whole or in part;

(l) Buyer ceases for any reason to have a valid and perfected first priority security interest in any Purchased Asset;

(m) Seller engages in any conduct or action where Buyer's prior consent is required by any Repurchase Document and Seller fails to obtain such consent;

(n) Seller or any other Person fails to deposit to the Securities Account all Income and other amounts as required by Section 5.01 and other provisions of this Agreement within one (1) Business Day of when due;

(o) any termination event (other than any Mandatory Reduction Event, as defined in the related Interest Rate Protection Agreement) or event of default (however defined) shall have occurred with respect to Seller under any Interest Rate Protection Agreement with an Affiliated Hedge Counterparty;

(p) Guarantor breaches any of the obligations, terms or conditions set forth in the Guarantee Agreement and, solely with respect to non-monetary breaches such breach remains uncured for at least ten (10) Business Days;

(q) any condition or circumstance exists which causes, constitutes or is reasonably likely to cause or constitute a Material Adverse Effect and/or a Market Disruption Event, as determined by Buyer; or

(r) Guarantor (i) fails to continue to be (A) qualified as a REIT or (B) 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 taxable year for which it claims a deduction in its Form 1120-REIT filed with the IRS, or (ii) enters into a "prohibited transaction" as defined in Section 857(b)(6)(B)(iii) of the Code.

Section 10.02 Remedies of Buyer as Owner of the Purchased Assets. If an Event of Default has occurred and is continuing, at the option of Buyer, exercised by written notice to Seller (which option shall be deemed to be exercised, even if no written notice is given, automatically and immediately upon the occurrence of an Event of Default under Section 10.01(f)), the Repurchase Date for all Purchased Assets shall be deemed automatically and immediately to occur (the date on which such option is exercised or deemed to be exercised, the "Accelerated Repurchase Date"). If Buyer exercises or is deemed to have exercised the foregoing option:

(a) All Repurchase Obligations shall become immediately due and payable on and as of the Accelerated Repurchase Date.

(b) All amounts in the Securities Account and all Income paid after the Accelerated Repurchase Date shall be retained by Buyer, for the account of Buyer and Affiliated Hedge Counterparties, and applied in accordance with Article 5.

(c) Buyer, on behalf of Buyer and all Affiliated Hedge Counterparties, may complete any assignments, allonges, endorsements, powers or other documents or instruments executed in blank and otherwise obtain physical possession of all Asset Documents and all other instruments, certificates and documents then held by Custodian under the Custodial Agreement. Buyer may obtain physical possession of all servicing files and other files and records of Seller relating to the Purchased Assets. Seller shall deliver to Buyer such assignments and other documents with respect thereto as Buyer shall request.

(d) Buyer may immediately, at any time, and from time to time, exercise either of the following remedies with respect to any or all of the Purchased Assets: (i) sell such Purchased Assets on a servicing-released basis in a recognized market and by means of a public or private sale at such price or prices as Buyer accepts, and apply the net proceeds thereof in accordance with Article 5, or (ii) retain such Purchased Assets and give Seller credit against the Repurchase Price for such Purchased Assets (or if the amount of such credit exceeds the Repurchase Price for such Purchased Assets, to other Repurchase Obligations due and any other amounts then owing to Buyer by any other Person pursuant to any Repurchase Document, in such order and in such amounts as determined by Buyer), in an amount equal to the Current Mark-to-Market Value of such Purchased Assets. Until such time as Buyer exercises either such remedy with respect to a Purchased Asset, Buyer may hold such Purchased Asset for its own account and retain all Income with respect thereto.

(e) The Parties agree that the Purchased Assets are of such a nature that they may decline rapidly in value, and may not have a ready or liquid market. Accordingly, Buyer shall not be required to sell more than one Purchased Asset on a particular Business Day, to the same purchaser or in the same manner. Buyer may determine whether, when and in what manner a Purchased Asset shall be sold, it being agreed that both a good faith public and a good faith private sale shall be deemed to be commercially reasonable. Except as expressly required herein, in any other Repurchase Document or by any Requirements of Law, Buyer shall not be required to give notice to Seller or any other Person prior to exercising any remedy in respect of an Event of Default. If no prior notice is given, Buyer shall give notice to Seller of the remedies exercised by Buyer promptly thereafter.

(f) Seller shall be liable to Buyer and Affiliated Hedge Counterparties for (i) any amount by which the Repurchase Obligations due to Buyer exceed the aggregate of the net proceeds and credits referred to in the preceding clause (d), (ii) the amount of all actual out-of-pocket expenses, including reasonable legal fees and expenses, actually incurred by Buyer or any Affiliated Hedge Counterparty in connection with or as a consequence of an Event of Default, (iii) any costs and losses payable under Section 12.03, and (iv) any other actual loss, damage, cost or expense resulting from the occurrence of an Event of Default.

(g) Buyer shall be entitled to an injunction, an order of specific performance or other equitable relief to compel Seller to fulfill any of its obligations as set forth in the Repurchase Documents, including this Article 10, if Seller fails or refuses to perform its obligations as set forth herein or therein.

(h) Seller hereby appoints Buyer, on behalf of Buyer and Affiliated Hedge Counterparties as attorney-in-fact of Seller for purposes of carrying out the Repurchase Documents, including executing, endorsing and recording any instruments or documents and taking any other actions that Buyer deems necessary or advisable to accomplish such purposes, which appointment is coupled with an interest and is irrevocable.

(i) Buyer may, without prior notice to Seller, exercise any or all of its set-off rights including those set forth in Section 18.17; provided, that Buyer shall promptly notify Seller after any such set–off (but the failure to give such notice shall not affect the validity of such set–off). If an amount or obligation is unascertained, Buyer may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant Party accounting to the other Party when the amount or obligation is ascertained. Nothing in this Section 10.02(i) shall be effective to create a charge or other security interest. This Section 10.02(i) 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.

(j) All rights and remedies of Buyer and Affiliated Hedge Counterparties under the Repurchase Documents, including those set forth in Section 18.17, are cumulative and not exclusive of any other rights or remedies that Buyer or Affiliated Hedge Counterparties may have and may be exercised at any time when an Event of Default shall have occurred and is continuing. Such rights and remedies may be enforced without prior judicial process or hearing. Seller agrees 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. Seller hereby expressly waives any defenses Seller might have to require Buyer or any Affiliated Hedge Counterparty to enforce its rights by judicial process or otherwise arising from the use of nonjudicial process, disposition of any or all of the Purchased Assets, or any other election of remedies.

ARTICLE 11

SECURITY INTEREST

Section 11.01 Grant. Buyer and Seller intend that all Transactions shall be sales to Buyer of the Purchased Assets and not loans from Buyer to Seller secured by the Purchased Assets. However, to preserve and protect Buyer's and any Affiliated Hedge Counterparty's rights with respect to the Purchased Assets and under the Repurchase Documents in the event that any Governmental Authority recharacterizes the Transactions as other than sales, and as security for Seller's performance of the Repurchase Obligations, Seller hereby grants to Buyer and each Affiliated Hedge Counterparty on a *pari passu* basis a Lien on and security interest in all of the right, title and interest of Seller in, to and under (i) the Purchased Assets (which for this purpose shall be deemed to include the items described in clause (B) of the proviso in the definition thereof), and (ii) each Interest Rate Protection Agreement with each Affiliated Hedge Counterparty relating to each Purchased Asset, and the transfers of the Purchased Assets to Buyer and Affiliated Hedge Counterparties shall be deemed to constitute and confirm such grant, to secure the payment and performance of the Repurchase Obligations (including the obligation of Seller to pay the Repurchase Price, or if the Transactions are recharacterized as loans, to repay such loans for the Repurchase Price).

Section 11.02 Effect of Grant. (a) If any circumstance described in Section 11.01 occurs, (a) this Agreement shall also be deemed to be a security agreement as defined in the UCC, (b) Buyer and each Affiliated Hedge Counterparty shall have all of the rights and remedies provided to a secured party by Requirements of Law (including the rights and remedies of a secured party under the UCC and the right to set off any mutual debt and claim) and under any other agreement between Buyer and Seller or between any other Affiliated Hedge Counterparty and Seller, (c) without limiting the generality of the foregoing, Buyer shall be entitled to set off the proceeds of the liquidation of the Purchased Assets against all of the Repurchase Obligations, without prejudice to Buyer's right to recover any deficiency, (d) the possession by Buyer or any of its agents, including Custodian, of the Asset Documents, the Purchased Assets and such other items of property as constitute instruments, money, negotiable documents, securities or chattel paper shall be deemed to be possession by the secured party for purposes of perfecting such security interest under the UCC and Requirements of Law, and (e) notifications to Persons (other than Buyer) holding such property, and acknowledgments, receipts or confirmations from Persons (other than Buyer) holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents (as applicable) of the secured party for the purpose of perfecting such security interest under the UCC and Requirements of Law. The security interest of Buyer and Affiliated Hedge Counterparties granted herein shall be, and Seller hereby represents and warrants to Buyer and all other Affiliated Hedge Counterparties that it is, a first-priority perfected security interest. For the avoidance of doubt, (i) each Purchased Asset and each Interest Rate Protection Agreement relating to a

Purchased Asset secures the Repurchase Obligations of Seller with respect to all other Transactions and all other Purchased Assets, including any Purchased Assets that are junior in priority to the Purchased Asset in question, and (ii) if an Event of Default exists, no Purchased Asset or Interest Rate Protection Agreement relating to a Purchased Asset will be released from Buyer's and Affiliated Hedge Counterparties' Lien or transferred to Seller until the Repurchase Obligations are indefeasibly paid in full. Notwithstanding the foregoing, the Repurchase Obligations shall be full recourse to Seller.

(b) Buyer and Seller agree that Buyer is expressly designated as the agent for and on behalf of each Affiliated Hedge Counterparty with respect to the security interest granted hereby to secure the obligations owing to each Affiliated Hedge Counterparty under any Interest Rate Protection Agreement, including with respect to the Purchased Assets and the Asset Documents held by Custodian pursuant to the Custodial Agreement.

Section 11.03 Seller to Remain Liable. Buyer and Seller agree that the grant of a security interest under this Article 11 shall not constitute or result in the creation or assumption by Buyer or any Affiliated Hedge Counterparty of any Retained Interest or other obligation of Seller or any other Person in connection with any Purchased Asset, or any Interest Rate Protection Agreement whether or not Buyer exercises any right with respect thereto. Seller shall remain liable under the Purchased Assets, each Interest Rate Protection Agreement and Asset Documents to perform all of Seller's duties and obligations thereunder to the same extent as if the Repurchase Documents had not been executed.

Section 11.04 Waiver of Certain Laws. Seller agrees, to the extent permitted by Requirements of Law, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption law now or hereafter in force in any locality where any Purchased Assets may be situated in order to prevent, hinder or delay the enforcement or foreclosure of this Agreement, or the absolute sale of any of the Purchased Assets or Interest Rate Protection Agreement relating to a Purchased Asset or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and Seller, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws and any and all right to have any of the properties or assets constituting the Purchased Assets or Interest Rate Protection Agreement relating to a Purchased Asset marshaled upon any such sale, and agrees that Buyer and Affiliated Hedge Counterparties or any court having jurisdiction to foreclose the security interests granted in this Agreement may sell the Purchased Assets and each Interest Rate Protection Agreement relating to a Purchased Asset as an entirety or in such parcels as Buyer or such court may determine.

ARTICLE 12

INCREASED COSTS; CAPITAL ADEQUACY

Section 12.01 Market Disruption. If prior to any Pricing Period, Buyer determines that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Pricing Period, Buyer shall give prompt notice thereof to Seller, whereupon the Pricing Rate for such Pricing Period, and for all subsequent Pricing Periods until such notice has been withdrawn by Buyer, shall be the Alternative Rate.

Section 12.02 Illegality. If the adoption of or any change in any Requirements of Law or in the interpretation or application thereof after the date hereof shall make it unlawful for Buyer to effect or continue Transactions as contemplated by the Repurchase Documents, (a) any commitment of Buyer hereunder to enter into new Transactions shall be terminated and the Funding Expiration Date shall be deemed to have occurred, and (b) if required by such adoption or change, the Facility Termination Date shall be deemed to have occurred.

Section 12.03 Breakfunding. Seller shall indemnify Buyer and hold Buyer harmless from any loss, cost or expense (including reasonable legal fees and expenses) which Buyer may sustain or incur arising from (a) the failure by Seller to terminate any Transaction after Seller has given a notice of termination pursuant to Section 3.04, (b) any payment to Buyer on account of the outstanding Repurchase Price, including a payment made pursuant to Section 3.05 but excluding a payment made pursuant to Section 5.02, on any day other than a Remittance Date (based on the assumption that Buyer funded its commitment with respect to the Transaction in the London Interbank Eurodollar market and using any reasonable attribution or averaging methods that Buyer deems appropriate and practical), (c) any failure by Seller to sell Eligible Assets to Buyer after Seller has notified Buyer of a proposed Transaction and Buyer has agreed to purchase such Eligible Assets in accordance with this Agreement, or (d) any conversion of the Pricing Rate to the Alternative Rate because the LIBO Rate is not available for any reason on a day that is not the last day of the then current Pricing Period.

Section 12.04 Increased Costs. If the adoption of or any change in any Requirements 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 after the date of this Agreement (a) shall subject Buyer to any tax of any kind whatsoever with respect to the Repurchase Documents, any Purchased Asset or any Transaction, or change the basis of taxation of payments to Buyer in respect thereof (except the imposition, or any change in the rate of, any Excluded Tax or any Tax as to which an Additional Amount is payable under Section 12.06), (b) 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, loans or other extensions of credit by, or any other acquisition of funds by, any office of Buyer, or (c) shall impose on Buyer any other condition; and the result of any of the preceding clauses (a), (b) and (c) is to increase the cost to Buyer, by an amount that Buyer deems to be material, of entering into, continuing or maintaining Transactions, or to reduce any amount receivable under the Repurchase Documents in respect thereof, then, in any such case, Seller shall pay to Buyer, within thirty (30) days following the date of the receipt by Seller of a written demand therefore from Buyer, such additional amount or amounts as reasonably necessary to fully compensate Buyer for such increased cost or reduced amount receivable. Notwithstanding the foregoing, in no event shall Buyer make a demand for payment under this Section 12.04 unless Buyer also makes similar payment demands under all agreements which are substantially similar in all material respects to the terms set forth in this Agreement.

Section 12.05 Capital Adequacy. If Buyer determines that the adoption of or any change in any Requirements 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 after the date of this Agreement has or 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, in any such case, Seller shall pay to Buyer, within thirty (30) days following the date of the receipt by Seller of a written demand therefore from Buyer, such additional amount or amounts as reasonably necessary to fully compensate Buyer for such reduction. Notwithstanding the foregoing, in no event shall Buyer make a demand for payment under this Section 12.05 unless Buyer also makes similar payment demands under all agreements which are substantially similar in all material respects to the terms set forth in this Agreement.

Section 12.06 Taxes.

(a) Except as provided in the next sentence, all payments made by Seller to Buyer or any other Indemnified Person under the Repurchase Documents with respect to the Purchased Assets 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 assed by any taxation authority or other Governmental Authority therewith or thereon (collectively, "Taxes"). If any Taxes are required to be deducted or withheld from any amounts payable by Seller to Buyer and/or any other Indemnified Person, then Seller shall make such deduction or withholding and the amount payable to such Person will be increased (such increase, the "Additional Amount") such that every net payment made under this Agreement after deduction or withholding for or on account of any Taxes (including any deductions and withholdings applicable to Additional Amounts payable under this Section 12.06) is not less than the amount that would have been paid absent such deduction or withholding; provided, however, that the foregoing obligation to pay Additional Amounts will not apply with respect to (i) Taxes imposed on or measured by overall net income, net profits or capital (however denominated) and franchise taxes or similar Taxes imposed on or measured by the net income, net profits or capital, in each case, of Buyer and/or any other Indemnified Person, by any taxing jurisdiction in which, pursuant to the laws of such jurisdiction, Buyer or such other Indemnified Person is organized, resides or is engaged in business (as the case may be), unless such Buyer or other Indemnified Person is subject to such Taxes as a result of having executed, delivered or performed its obligations or received payments under, or enforced this Agreement or any other Repurchase Document, (ii) any Taxes imposed by any jurisdiction described in clause (i) that are in the nature of branch profits taxes (within the meaning of Section 884 of the Code), (iii) any withholding Tax that is attributable to such Person's failure to comply with Section 12.06(d), other than if (A) such failure is due to a change in any Requirement of Law, or in the interpretation or application thereof, occurring after (1) the date that such Person became a Party to this Agreement, (2) with respect to an assignment, participation, acquisition or designation of a new lending office, the effective date of such assignment, participation, acquisition or designation, except, in each case, to the extent and at the rate that such Person's predecessor was entitled to such amounts (or, in the case of a designation of a

new lending office, to the extent that such Person was entitled to such amounts with respect to its prior lending office), or (3) in the case of any other Indemnified Person (who is not described in (1) or (2), above), the date of this Agreement, and (iv) any U.S. federal withholding Tax imposed pursuant to the FATCA (collectively, "Excluded Taxes"). Any Taxes other than Excluded Taxes are hereinafter referred to as "Non-Excluded Taxes". Promptly after Seller pays any Taxes referred to in this Section 12.06, Seller will send Buyer appropriate evidence of such payment.

(b) In addition, Seller hereby agrees to pay or, at Buyer's option, timely reimburse it for payment of, any present or future stamp, recording, documentary, excise, filing, intangible, property or value-added taxes, or similar taxes, charges or levies that arise from any payment made under or in respect of this Agreement or any other Repurchase Document, or from the execution, delivery, enforcement or registration of, any performance, receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or any other Repurchase Document (collectively, "Other Taxes").

(c) Seller agrees to indemnify Buyer and any other Indemnified Person (including their direct or indirect beneficial owners) for the full amount of Non-Excluded Taxes (including Additional Amounts with respect thereto) and Other Taxes, and the full amount of Non-Excluded Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 12.06, and any liability (including penalties, interest and expenses arising thereon or with respect thereto) arising therefrom or with respect thereto, whether or not the Non-Excluded Taxes, Other Taxes or other liabilities for which indemnity is sought pursuant to this Section 12.06(c) have been correctly or legally asserted. Amounts payable by Seller under the indemnity set forth in this Section 12.06(c) shall be paid within thirty (30) days from the date on which Buyer or any other Indemnified Person makes written demand therefor, which demand shall be conclusive as to the amount of such indemnity absent demonstrable error.

(d) Seller shall not be obligated to pay any Additional Amounts to Buyer, or any other Indemnified Person, or any other Person who acquires any of the rights and/or obligations of Buyer under this Agreement (whether as a Participant pursuant to Section 18.08(b), an Assignee pursuant to Section 18.08(c), or otherwise) if at the time Buyer or such Person entered into this Agreement, or acquired the rights and/or obligations of Buyer hereunder (or, in the case of any other Indemnified Person, the date of this Agreement), or as a result of the failure of Buyer, or any other Indemnified Person, or such other Person to update a form or document in such manner and at such times as are described below, Seller is required to deduct, withhold or backup withhold any sums because Buyer or such Person failed to deliver to Seller (or, in the case of any other Indemnified Person, such Indemnified Person would not have been legally permitted to deliver, on the date of this Agreement, to Seller), as applicable, (A) two duly executed, properly completed, original copies of either (i) IRS Form W-8BEN or any successor form (relating to Buyer, or such other Indemnified Person, or such other Person and entitling it to a complete exemption from U.S. Federal withholding Tax on all payments to be made to Buyer, or such other Indemnified Person, or such other Person by Seller pursuant to this Agreement or any other Repurchase Document) or IRS Form W-8ECI or any successor form, (ii) IRS Form W-8BEN or any successor form and a United States Tax Compliance Certificate and/or, in each case, any

successor form or any required renewal thereof, as the case may be, certifying in each case that Buyer, or such other Indemnified Person, or such other Person is entitled to receive payments hereunder and/or under the other Repurchase Documents without deduction or withholding of any United States federal income taxes, or (iii) if Buyer, or such other Indemnified Person, or such other Person is a "United States person," within the meaning of Section 7701(a)(30) of the Code, IRS Form W-9 or any successor form or any required renewal thereof certifying that Buyer, or such other Indemnified Person, or such other Person is entitled to an exemption from United States backup withholding tax, (B) to the extent Buyer, such other Indemnified Person, or such other Person is not a "United States person," within the meaning of Section 7701(a)(30) of the Code (a "Non-U.S. Person"), and does not act for its own account with respect to any portion of any sums paid or payable to such Non-U.S. Person under any of the Repurchase Documents, (x) the applicable forms or statements required to be provided by such Non-U.S. Person as set forth above, to establish that the portion of sums paid or payable under the Repurchase Documents to such Non-U.S. Person, and with respect to which such Non-U.S. Person acts for its own account, is not subject to United States withholding tax, and (y) two duly executed, properly completed, original copies of IRS Form W-8IMY or any successor form, together with any information such Non-U.S. Person chooses to transmit with such forms, and any other certificate or statement of exemption required under the Code to establish that such Non-U.S. Person is not acting for its own account with respect to the applicable portion of any such sums payable to such Non-U.S. Person and that the payment of such sums is not subject to United States withholding tax and/or (C) other required form or documentation establishing that a full exemption exists from United States backup withholding tax. Buyer, any other Indemnified Person, and any other Person described above shall, after the initial delivery by Buyer, or such other Indemnified Person, or such other Person of the forms described above, whenever a change in Buyer's, or such other Indemnified Person's, or such other Person's circumstances renders such forms, certificates or other evidence so delivered reasonably obsolete or inaccurate, or otherwise upon Seller's reasonable request, promptly (1) deliver to Seller (in such number of copies as shall be requested by the recipient) renewals, amendments or successor forms, properly completed and duly executed by Buyer, or such other Indemnified Person, or such other Person, together with any other certificate or statement of exemption substantially similar in substance to the documentation otherwise required to be provided pursuant to this Section 12.06(d), required in order to confirm or establish that Buyer, or such other Indemnified Person, or such other Person is entitled to an exemption from U.S. federal withholding tax or (2) notify the Seller of its inability to deliver any such forms, certificates or other evidence, as a result of a change in any Requirement of Law following a prior delivery of the applicable forms.

(e) Without prejudice to the survival or any other agreement of Seller hereunder, the agreements and obligations of Seller contained in this Section 12.06 shall survive the termination of this Agreement. Nothing contained in this Section 12.06 shall require Buyer to make available any of its tax returns or other information that it deems to be confidential or proprietary.

(f) If Buyer or any other Indemnified Person determines, in its sole discretion, that it has received a refund in respect of any amounts as to which it has been indemnified by Seller under this Section 12.06 or with respect to which Seller has paid Additional Amounts under this Section 12.06, it shall pay over such refund to Seller (but only to the extent of indemnity payments made, or Additional Amounts paid by Seller under this Section 12.06 with respect to Non-Excluded Taxes and Other Taxes giving rise to such refund), net of all out-of-pocket expenses of Buyer or such other

Indemnified Person and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, that Seller, upon the request of Buyer or such other Indemnified Person, agrees to repay the amount paid over to Seller (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Buyer or other Indemnified Person in the event such Buyer or other Indemnified Person is required to repay such refund to the relevant Governmental Authority.

(g) If Seller determines in good faith that a reasonable basis exists for (1) contesting Taxes with respect to which Seller has paid an Additional Amount under this Section 12.06 or (2) seeking a refund of such Taxes, the relevant Person shall cooperate with Seller in challenging such Taxes at Seller's expense if reasonably requested by Seller and if, in such Person's reasonable judgment, such cooperation would not be legally inadvisable or commercially disadvantageous. This Section 12.06(g) shall not be construed to require any Person to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

Section 12.07 Payment and Survival of Obligations. Buyer or any other Indemnified Person may at any time send Seller a notice showing the calculation of any amounts payable pursuant to this Article 12, and Seller shall pay such amounts to Buyer or such other Indemnified Person within thirty (30) days after Seller receives such notice. The obligations of Seller under this Article 12 shall apply to Eligible Assignees and Participants (to the extent provided in Section 18.08(b)) and survive the termination of the Repurchase Documents.

ARTICLE 13

INDEMNITY AND EXPENSES

Section 13.01 Indemnity.

(a) Seller shall release, defend, indemnify and hold harmless Buyer, Affiliates of Buyer and its and their respective officers, directors, shareholders, partners, members, owners, employees, agents, attorneys, Affiliates and advisors (each an "Indemnified Person" and collectively the "Indemnified Persons"), on a net after-tax basis, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, taxes (other than Excluded Taxes (except in the case of any Taxes imposed in connection with Buyer holding the Purchased Assets) and other than those actually paid for by Seller under Article 12 above or excluded under clause (viii) below), fees, costs, expenses (including reasonable legal fees and expenses), penalties or fines of any kind that may be imposed on, incurred by or asserted against such Indemnified Person (collectively, the "Indemnified Amounts") in any way relating to, arising out of or resulting from or in connection with (i) the Repurchase Documents, the Asset Documents, the Purchased Assets, the Transactions, any related property, or any action taken or omitted to be taken by any Indemnified Person in connection with or under any of the foregoing, or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of any Repurchase Document, any Transaction, any Purchased Asset, (ii) any violation or alleged violation by Seller or Guarantor of, non–compliance by Seller or Guarantor with or liability of Seller or Guarantor under any Requirements of Law,

(iii) ownership of, Liens on, security interests in or the exercise of rights or remedies under any of the items referred to in the preceding clause (i), (iv) any failure by Seller to perform or comply with any Repurchase Document or Purchased Asset, (v) any claim against Seller or Guarantor by brokers, finders or similar Persons claiming to be entitled to a commission in connection with any lease or other transaction involving any Repurchase Document, Purchased Asset, (vi) the execution, delivery, filing or recording of any Repurchase Document, Asset Document or any memorandum of any of the foregoing, (vii) any Lien or claim arising on or against any Purchased Asset under any Requirements of Law or any liability asserted against Buyer or any Indemnified Person with respect thereto, (viii) Seller's failure to pay when due any Taxes for which Seller is liable, including, without limitation, Taxes payable in connection with any Purchased Asset; provided that, Seller shall not pay any of the foregoing taxes that are imposed solely upon the execution of an Assignment and Acceptance pursuant to Section 18.08(c), grant of a participation pursuant to Section 18.08(b), or the designation of a new applicable lending office or other office for receiving payments under any Repurchase Document, except to the extent that any such action is requested or required by Seller, or (ix) Seller's conduct, activities, actions and/or inactions in connection with, relating to or arising out of any of the foregoing clauses of this Section 13.01, that, in each case, results from anything whatsoever other than any Indemnified Person's gross negligence, fraud or willful misconduct, as determined by a court of competent jurisdiction pursuant to a final, non–appealable judgment. In any suit, proceeding or action brought by an Indemnified Person in connection with any Purchased Asset for any sum owing thereunder, or to enforce any provisions of any Purchased Asset, Seller shall defend, indemnify and hold such Indemnified Person harmless from and against all actual reasonable expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the account debtor arising out of a breach by Seller 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 from Seller. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 13.01 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by Seller, an Indemnified Person or any other Person or any Indemnified Person is otherwise a party thereto and whether or not any Transaction is entered into.

(b) If for any reason the indemnification provided in this Section 13.01 is unavailable to the Indemnified Person or is insufficient to hold an Indemnified Person harmless, even though such Indemnified Person is entitled to indemnification under the express terms thereof, then Seller shall contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative benefits received by such Indemnified Person on the one hand and Seller on the other hand, the relative fault of such Indemnified Person, and any other relevant equitable considerations.

(c) An Indemnified Person may at any time send Seller a notice showing the calculation of Indemnified Amounts, and Seller shall pay such Indemnified Amounts to such Indemnified Person within ten (10) Business Days after Seller receives such notice. The obligations of Seller under this Section 13.01 shall apply to Eligible Assignees and Participants and survive the termination of this Agreement.

Section 13.02 Expenses. Seller shall promptly on demand pay to or as directed by Buyer all third-party out-of-pocket costs and expenses (including legal, accounting and advisory fees and expenses) incurred by Buyer in connection with (a) the development, evaluation, preparation, negotiation, execution, consummation, delivery and administration of, and any amendment, supplement or modification to, or extension, renewal or waiver of, the Repurchase Documents and the Transactions, (b) any Asset or Purchased Asset, including due diligence, inspection, testing, review, recording, registration, travel custody, care, insurance or preservation, (c) the enforcement of the Repurchase Documents or the payment or performance by Seller of any Repurchase Obligations, and (d) any actual or attempted sale, exchange, enforcement, collection, compromise or settlement relating to the Purchased Assets.

ARTICLE 14

INTENT

Section 14.01 Safe Harbor Treatment. Without limiting any other protections under the Bankruptcy Code, as in effect from time to time, the Parties intend and acknowledge, based upon the Bankruptcy Code and case law in effect on the date hereof, as follows: (a) for each Transaction to qualify for the safe harbor treatment provided by the Bankruptcy Code and for Buyer to be entitled to all of the rights, benefits and protections afforded to Persons under the Bankruptcy Code with respect to a "securities contract" as defined in Section 741(7) of the Bankruptcy Code (a "Securities Contract") and that payments by Seller to Buyer under this Agreement constituting payments of Repurchase Price or payments to cure Margin Deficit are deemed "margin payments" or "settlement payments," as defined in Section 741 of the Bankruptcy Code, (b) for the grant of a security interest set forth in Article 11 to also be a "securities contract" as defined in Section 741(7)(A)(xi) of the Bankruptcy Code, (c) Buyer is a "master netting agreement participant" (as defined in Section 101(38B) of the Bankruptcy Code), (d) that Buyer is a "financial institution" (as defined in Section 101(22) of the Bankruptcy Code) and/or a "financial participant" (as defined in Section 101(22A) of the Bankruptcy Code) and/or other entity listed in Section 555 or Section 362(b)(6) of the Bankruptcy Code) that shall be entitled to the "safe harbor" benefits and protections afforded under the Bankruptcy Code with respect to a Securities Contract, including (x) the rights, set forth in Article 10 and in one or more of Sections 555 and 561 of the Bankruptcy Code, to liquidate the Purchased Assets and terminate this Agreement, and (y) the right to offset or net out as set forth in Article 10 and Section 18.17 and in Section 362(b)(6) of the Bankruptcy Code, (e) this Agreement includes a security agreement or arrangement or other credit enhancement related to this Agreement and the Transactions hereunder, and the Guarantee Agreement constitutes a security agreement or arrangement or other credit enhancement related to this Agreement and the Transactions hereunder; (f) all transfers of cash, securities or other property under or in connection with this Agreement or any Transaction with respect to any Purchased Asset are "margin payments", "settlement payments" or other "transfers" made "by or to (or for the benefit of)" a "master netting agreement participant", a "financial institution" or a "financial participant" (each as defined in the Bankruptcy Code) and all obligations under this Agreement, the Guarantee

Agreement, each Confirmation or any Transaction constitute obligations in respect of termination values, payment amounts or other transfer obligations within the meaning of, as applicable, Sections 362, 546, 555 and 561 of the Bankruptcy Code; and (g) upon the occurrence with respect to Seller of a condition of the kind specified in Section 365(e)(1) of the Bankruptcy Code, Buyer shall (other than to the extent such things occur automatically under this Agreement, any Confirmation or any Transaction) have the right to cause the liquidation, termination or acceleration of this Agreement, any Transaction and the Guarantee Agreement, and any documents and other agreements arising under or in connection with this Agreement or any Transaction and to offset or net out termination values, payment amounts or other transfer obligations arising under or in connection with this Agreement, each Confirmation or any Transaction and exercise its other rights and remedies set forth herein and therein, each of which is intended to be and is within the exemptions and protections afforded by, among other things, one or more of Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 548(d), 547, 555 and 561 of the Bankruptcy Code. The Parties further intend and acknowledge that any assignee of Buyer that is a "financial institution", "financial participant" or other person or entity eligible for the exemptions and protections afforded by the provisions of the Bankruptcy Code referred to in the preceding sentence shall be entitled to such exemptions and protections.

Section 14.02 Liquidated Rights. The Parties intend and acknowledge, based upon the Bankruptcy Code and case law in effect on the date hereof, that Buyer's right to liquidate, terminate or accelerate Purchased Assets delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Articles 10 and 11 and as otherwise provided in the Repurchase Documents is a contractual right to liquidate, terminate or accelerate such Transactions as described in Section 555 and 561 of the Bankruptcy Code with respect to Transactions constituting a "securities contract".

Section 14.03 Qualified Financial Contract. The Parties acknowledge and agree that if a Party 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).

Section 14.04 Netting Contract. The Parties acknowledge and agree 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 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).

Section 14.05 Master Netting Agreement. The Parties expressly represent, warrant, acknowledge and agree that this Agreement constitutes a "master netting agreement" as defined in Section 101(38A) of the Bankruptcy Code with respect to Transactions constituting a "securities contract".

ARTICLE 15

DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS

The Parties acknowledge that they have been advised and understand 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 under Section 15 of the Securities Exchange Act of 1934, the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 do not protect the other Party with respect to any Transaction;

(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 Securities and Exchange Commission under Section 15C of the Securities Exchange Act of 1934, the Securities Investor Protection Act of 1970 will not provide protection to the other Party with respect to any Transaction;

(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 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; and

(d) in the case of Transactions in which one of the Parties is an "insured depository institution" as that term is defined in Section 1813(c)(2) of Title 12 of the United States Code, funds held by the financial institution pursuant to a Transaction are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund or the Bank Insurance Fund, as applicable.

ARTICLE 16

NO RELIANCE

Each Party acknowledges, represents and warrants to the other Party that, in connection with the negotiation of, entering into, and performance under, the Repurchase Documents and each Transaction:

(a) It is not relying (for purposes of making any investment decision or otherwise) on any advice, counsel or representations (whether written or oral) of the other Party, other than the representations expressly set forth in the Repurchase Documents;

(b) 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 on its own judgment and on any advice from such advisors as it has deemed necessary and not on any view expressed by the other Party;

(c) It is a sophisticated and informed Person that has a full understanding of all the terms, conditions and risks (economic and otherwise) of the Repurchase Documents and each Transaction and is capable of assuming and willing to assume (financially and otherwise) those risks;

(d) It is entering into the Repurchase Documents and each Transaction for the purposes of managing its borrowings or investments or hedging its underlying assets or liabilities and not for purposes of speculation;

(e) 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 Repurchase Documents or any Transaction; and

(f) No partnership or joint venture exists or will exist as a result of the Transactions or entering into and performing the Repurchase Documents.

ARTICLE 17

[Reserved**]**

ARTICLE 18

MISCELLANEOUS

Section 18.01 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of laws principles thereof other than Section 5-1401 of the New York General Obligations law.

Section 18.02 Submission to Jurisdiction; Service of Process. Each Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Repurchase Documents, or for recognition or enforcement of any judgment, and each Party irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such State court or, to the fullest extent permitted by applicable law, in such Federal court. Each Party agrees 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 Agreement or the other Repurchase Documents shall affect any right that Buyer may otherwise have to bring any action or proceeding arising out of or relating to the Repurchase Documents against Seller or its properties in the courts of any jurisdiction. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by Requirements of Law, any objection that it may now or hereafter have to the laying of venue of any action or

proceeding arising out of or relating to the Repurchase Documents in any court referred to above, and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each Party irrevocably consents to service of process in the manner provided for notices in Section 18.12. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

Section 18.03 IMPORTANT WAIVERS.

(a) SELLER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO ASSERT A COUNTERCLAIM, OTHER THAN A COMPULSORY COUNTERCLAIM, IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY BUYER OR ANY INDEMNIFIED PERSON.

(b) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN THEM, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH OR RELATED TO THE REPURCHASE DOCUMENTS, THE PURCHASED ASSETS, THE TRANSACTIONS, ANY DEALINGS OR COURSE OF CONDUCT BETWEEN THEM RELATED TO THE FOREGOING, OR ANY STATEMENTS (WRITTEN OR ORAL) OR OTHER ACTIONS OF EITHER PARTY RELATED TO THE FOREGOING. NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

(c) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, SELLER HEREBY WAIVES ANY RIGHT TO CLAIM OR RECOVER IN ANY LITIGATION WHATSOEVER INVOLVING ANY INDEMNIFIED PERSON, ANY SPECIAL, EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE WHATSOEVER OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, WHETHER SUCH WAIVED DAMAGES ARE BASED ON STATUTE, CONTRACT, TORT, COMMON LAW OR ANY OTHER LEGAL THEORY, WHETHER THE LIKELIHOOD OF SUCH DAMAGES WAS KNOWN AND REGARDLESS OF THE FORM OF THE CLAIM OF ACTION. NO INDEMNIFIED PERSON SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY UNINTENDED RECIPIENTS OF ANY INFORMATION OR OTHER MATERIALS DISTRIBUTED BY IT THROUGH TELECOMMUNICATIONS, ELECTRONIC OR OTHER INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH ANY REPURCHASE DOCUMENT OR THE TRANSACTIONS.

(d) SELLER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF BUYER OR AN INDEMNIFIED PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BUYER OR AN INDEMNIFIED PERSON WOULD NOT SEEK TO ENFORCE ANY OF THE WAIVERS IN THIS SECTION 18.03 IN THE EVENT OF LITIGATION OR OTHER CIRCUMSTANCES. THE SCOPE OF SUCH WAIVERS IS INTENDED TO BE ALL–ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE REPURCHASE DOCUMENTS, REGARDLESS OF THEIR LEGAL THEORY.

(e) EACH PARTY ACKNOWLEDGES THAT THE WAIVERS IN THIS SECTION 18.03 ARE A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT SUCH PARTY HAS ALREADY RELIED ON SUCH WAIVERS IN ENTERING INTO THE REPURCHASE DOCUMENTS, AND THAT SUCH PARTY WILL CONTINUE TO RELY ON SUCH WAIVERS IN THEIR RELATED FUTURE DEALINGS. EACH PARTY FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED SUCH WAIVERS WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL AND OTHER RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

(f) THE WAIVERS IN THIS SECTION 18.03 ARE IRREVOCABLE, MEANING THAT THEY MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SHALL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO ANY OF THE REPURCHASE DOCUMENTS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) THE PROVISIONS OF THIS SECTION 18.03 SHALL SURVIVE TERMINATION OF THE REPURCHASE DOCUMENTS AND THE PAYMENT IN FULL OF THE OBLIGATIONS.

Section 18.04 Integration. The Repurchase Documents supersede and integrate all previous negotiations, contracts, agreements and understandings (whether written or oral) between the Parties relating to a sale and repurchase of Purchased Assets and the other matters addressed by the Repurchase Documents, and contain the entire final agreement of the Parties relating to the subject matter thereof.

Section 18.05 Single Agreement. Seller agrees that (a) each Transaction is in consideration of and in reliance on the fact that all Transactions constitute a single business and contractual relationship, and that each Transaction has been entered into in consideration of the other Transactions, (b) a default by it in the payment or performance of any its obligations under a Transaction shall constitute a default by it with respect to all Transactions, (c) Buyer may set off claims and apply properties and assets held by or on behalf of Buyer and/or Affiliated Hedge Counterparty with respect to any Transaction against the Repurchase Obligations owing to Buyer with respect to other Transactions, and (d) payments, deliveries and other transfers made by or on behalf of Seller with respect to any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers with respect to all Transactions, and the obligations of Seller to make any such payments, deliveries and other transfers may be applied against each other and netted.

Section 18.06 Use of Employee Plan Assets. No assets of an employee benefit plan subject to any provision of ERISA shall be used by either Party in a Transaction.

Section 18.07 Survival and Benefit of Seller's Agreements. The Repurchase Documents and all Transactions shall be binding on and shall inure to the benefit of the Parties and their successors and permitted assigns. All of Seller's representations, warranties, agreements and indemnities in the Repurchase Documents shall survive the termination of the Repurchase Documents and the payment in full of the Repurchase Obligations, and shall apply to and benefit Eligible Assignees and Participants. No other Person shall be entitled to any benefit, right, power, remedy or claim under the Repurchase Documents.

Section 18.08 Assignments and Participations.

(a) Seller shall not sell, assign or transfer any of its rights or the Repurchase Obligations or delegate its duties under this Agreement or any other Repurchase Document without the prior written consent of Buyer, and any attempt by Seller to do so without such consent shall be null and void.

(b) Buyer may at any time, without the consent of or notice to Seller, sell participations to any Person (other than a natural person or Seller, Guarantor or any Affiliate of Seller or Guarantor) (a "Participant") in all or any portion of Buyer's rights and/or obligations under the Repurchase Documents; provided, that (i) Buyer's obligations under the Repurchase Documents shall remain unchanged, (ii) Buyer shall remain solely responsible to Seller for the performance of such obligations, (iii) Seller shall continue to deal solely and directly with Buyer in connection with Buyer's rights and obligations under the Repurchase Documents and (iv) the original balance of each such participation interest shall equal at least $5,000,000. No Participant shall have any right to approve any amendment, waiver or consent with respect to any Repurchase Document, except to the extent that the Repurchase Price or Price Differential of any Purchased Asset in which it has a participation interest would be reduced or the Repurchase Date of any Purchased Asset in which it has a participation interest would be postponed. Each Participant shall be entitled to the benefits of Article 12 to the same extent as if it had acquired its interest by assignment pursuant to Section 18.08(c), but shall not be entitled to receive any greater payment thereunder than Buyer would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Seller's prior written consent. To the extent permitted by Requirements of Law, each Participant shall be entitled to the benefits of Sections 10.02(j) and 18.17 to the same extent as if it had acquired its interest by assignment pursuant to Section 18.08(c).

(c) Buyer may at any time, without consent of Seller or Guarantor but upon written notice to Seller, sell and assign to any Eligible Assignee all or any portion of all of the rights and obligations of Buyer under the Repurchase Documents so long as the original balance of each such assigned interest is equal to at least $5,000,000. Each such assignment shall be made pursuant to an Assignment and Acceptance substantially in the form of Exhibit D (an "Assignment and Acceptance"). From and after the effective date of such Assignment and Acceptance, (i) such Eligible Assignee shall be a Party and, to the extent provided therein, have the rights and obligations of Buyer under the Repurchase Documents with respect to the percentage and amount of the Repurchase Price allocated to it, (ii) Buyer shall, to the extent provided therein, be released from such obligations (and, in the case of an Assignment and Acceptance covering all or the remaining portion of Buyer's rights and obligations under the Repurchase Documents, Buyer shall cease to be a Party), (iii) the obligations of Buyer shall be deemed to be so reduced, and (iv) Buyer will give prompt written notice thereof (including

identification of the Eligible Assignee and the amount of Repurchase Price allocated to it) to each Party (but Buyer shall not have any liability for any failure to timely provide such notice). Any sale or assignment by Buyer of rights or obligations under the Repurchase Documents that does not comply with this Section 18.08(c) shall be treated for purposes of the Repurchase Documents as a sale by Buyer of a participation in such rights and obligations in accordance with Section 18.08(b).

(d) Seller shall reasonably cooperate with Buyer in connection with any such sale and assignment of participations or assignments and shall enter into such reasonable restatements of, and amendments, supplements and other modifications to, the Repurchase Documents to give effect to any such sale or assignment; provided, that (i) none of the foregoing shall change any economic or other material term of the Repurchase Documents in a manner adverse to Seller without the written consent of Seller and (ii) Buyer shall reimburse Seller for all reasonable and necessary out-of-pocket costs and expenses actually incurred by Seller in connection therewith.

(e) Buyer shall have the right to partially or completely syndicate any or all of its rights under this Agreement and the other Repurchase Documents to any Eligible Assignee so long as the original balance of each such syndicated interest is equal to at least $5,000,000.

Section 18.09 Ownership and Hypothecation of Purchased Assets. Title to all Purchased Assets shall pass to and vest in Buyer on the applicable Purchase Dates and, subject to the terms of the Repurchase Documents, Buyer or its designee shall have free and unrestricted use of all Purchased Assets and be entitled to exercise all rights, privileges and options relating to the Purchased Assets as the owner thereof, including rights of subscription, conversion, exchange, substitution, voting, consent and approval, and to direct any servicer or trustee. Buyer or its designee may engage in repurchase transactions with the Purchased Assets or otherwise sell, pledge, repledge, transfer, hypothecate, or rehypothecate the Purchased Assets, all on terms that Buyer may determine; provided, that the long-term senior unsecured debt obligations of Buyer's counterparty in such transactions are rated at least "A" by S&P and "A2" by Moody's; provided further, that no such transaction shall affect the obligations of Buyer to transfer the Purchased Assets to Seller on the applicable Repurchase Dates free and clear of any pledge, Lien, security interest, encumbrance, charge or other adverse claim or any obligations of Buyer hereunder or any other obligations of Buyer hereunder to credit or pay Income to, or apply Income to the obligation of the Sellers. In the event Buyer engages in a repurchase transaction with any of the Purchased Assets or otherwise pledges or hypothecates any of the Purchased Assets, Buyer shall have the right to assign to Buyer's counterparty any of the applicable representations or warranties herein and the remedies for breach thereof, as they relate to the Purchased Assets that are subject to such repurchase transaction.

Section 18.10 Confidentiality. All information regarding the terms set forth in any of the Repurchase Documents or the Transactions shall be kept confidential and shall not be disclosed by either Party to any Person except (a) to the Affiliates of such Party or its or their respective directors, officers, employees, agents, advisors and other representatives who are informed of the confidential nature of such information and instructed to keep it confidential, (b) to the extent requested by any regulatory authority or required by Requirements of Law, (c) to the extent required to be

included in the financial statements of either Party or an Affiliate thereof, (d) to the extent required to exercise any rights or remedies under the Repurchase Documents or Purchased Assets, (e) to the extent required to consummate and administer a Transaction, (f) to any actual or prospective Participant, Eligible Assignee or Hedge Counterparty which agrees to comply with this Section 18.10 and (g) to the extent such information is in the public domain other than due to a breach of this covenant; provided, that no such disclosure made with respect to any Repurchase Document shall include a copy of such Repurchase Document to the extent that a summary would suffice, but if it is necessary for a copy of any Repurchase Document to be disclosed, all pricing and other economic terms set forth therein shall be redacted before disclosure.

Section 18.11 No Implied Waivers. No failure on the part of Buyer or any Affiliated Hedge Counterparty to exercise, or delay in exercising, any right or remedy under the Repurchase Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy thereunder preclude any further exercise thereof or the exercise of any other right. The rights and remedies in the Repurchase Documents are cumulative and not exclusive of any rights and remedies provided by law. Application of the Default Rate after an Event of Default shall not be deemed to constitute a waiver of any Event of Default or Buyer's or Affiliated Hedge Counterparty's rights and remedies with respect thereto, or a consent to any extension of time for the payment or performance of any obligation with respect to which the Default Rate is applied. Except as otherwise expressly provided in the Repurchase Documents, no amendment, waiver or other modification of any provision of the Repurchase Documents shall be effective without the signed agreement of Seller and Buyer. Any waiver or consent under the Repurchase Documents shall be effective only if it is in writing and only in the specific instance and for the specific purpose for which given.

Section 18.12 Notices and Other Communications. Unless otherwise provided in this Agreement, all notices, consents, approvals, requests and other communications required or permitted to be given to a Party hereunder shall be in writing and sent prepaid by hand delivery, by certified or registered mail, by expedited commercial or postal delivery service, or by facsimile or email if also sent by one of the foregoing, to the address for such Party specified in Annex II or such other address as such Party shall specify from time to time in a notice to the other Party. Any of the foregoing communications shall be effective when delivered or upon the first attempted delivery on a Business Day. A Party receiving a notice that does not comply with the technical requirements of this Section 18.12 may elect to waive any deficiencies and treat the notice as having been properly given.

Section 18.13 Counterparts; Electronic Transmission. Any Repurchase Document may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall together constitute but one and the same instrument. The parties agree that this Agreement, any documents to be delivered pursuant to this Agreement, any other Repurchase Document and any notices hereunder may be transmitted between them by email and/or 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

Section 18.14 No Personal Liability. No administrator, incorporator, Affiliate, owner, member, partner, stockholder, officer, director, employee, agent or attorney of Buyer, any Indemnified Person, Seller or Guarantor, as such, shall be subject to any recourse or personal liability under or with respect to any obligation of Buyer, Seller or Guarantor under the Repurchase

Documents, whether by the enforcement of any assessment, by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed that the obligations of Buyer, Seller or Guarantor under the Repurchase Documents are solely their respective corporate, limited liability company or partnership obligations, as applicable, and that any such recourse or personal liability is hereby expressly waived. This Section 18.14 shall survive the termination of the Repurchase Documents.

Section 18.15 Protection of Buyer's Interests in the Purchased Assets; Further Assurances.

(a) Seller shall cause the Repurchase Documents and/or all financing statements and continuation statements and any other necessary documents covering the right, title and interest of Buyer and Affiliated Hedge Counterparties to the Purchased Assets to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect such right, title and interest. Seller shall deliver to Buyer file–stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. Seller shall execute any and all documents reasonably required to fulfill the intent of this Section 18.15.

(b) Seller will promptly at its expense execute and deliver such instruments and documents and take such other actions as Buyer may reasonably request from time to time in order to perfect, protect, evidence, exercise and enforce Buyer's and Affiliated Hedge Counterparties' rights and remedies under and with respect to the Repurchase Documents, the Transactions and the Purchased Assets.

(c) If Seller fails to perform any of its Repurchase Obligations, Buyer may (but shall not be required to) perform or cause to be performed such Repurchase Obligation, and the reasonable costs and expenses incurred by Buyer in connection therewith shall be payable by Seller. Without limiting the generality of the foregoing, Seller authorizes Buyer, at the option of Buyer and the reasonable expense of Seller, at any time and from time to time, to take all actions and pay all amounts that Buyer deems necessary or appropriate to protect, enforce, preserve, insure, service, administer, manage, perform, maintain, safeguard, collect or realize on the Purchased Assets and Buyer's Liens and interests therein or thereon and to give effect to the intent of the Repurchase Documents. No Default or Event of Default shall be cured by the payment or performance of any Repurchase Obligation by Buyer on behalf of Seller. Buyer may make any such payment in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax Lien, title or claim except to the extent such payment is being contested in good faith by Seller in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

(d) Without limiting the generality of the foregoing, Seller will no earlier than six (6) or later than three (3) months before the fifth (5th) anniversary of the date of filing of each UCC

financing statement filed in connection with any Repurchase Document or any Transaction, (i) deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement (provided that Buyer may elect to file such continuation statement), and (ii) if requested by Buyer, deliver or cause to be delivered to Buyer an opinion of counsel, in form and substance reasonably satisfactory to Buyer, confirming and updating the opinion delivered pursuant to Section 6.01(a) with respect to perfection and otherwise to the effect that the security interests hereunder continue to be enforceable and perfected security interests, subject to no other Liens of record except as provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

(e) Except as provided in the Repurchase Documents, the sole duty of Buyer, Custodian or any other designee or agent of Buyer with respect to the Purchased Assets shall be to use reasonable care in the custody, use, operation and preservation of the Purchased Assets in its possession or control. Buyer shall incur no liability to Seller or any other Person for any act of Governmental Authority, act of God or other destruction in whole or in part or negligence or wrongful act of custodians or agents selected by Buyer with reasonable care, or Buyer's failure to provide adequate protection or insurance for the Purchased Assets. Buyer shall have no obligation to take any action to preserve any rights of Seller in any Purchased Asset against prior parties, and Seller hereby agrees to take such action. Buyer shall have no obligation to realize upon any Purchased Asset except through proper application of any distributions with respect to the Purchased Assets made directly to Buyer or its agent(s). So long as Buyer and Custodian shall act in good faith in their handling of the Purchased Assets, Seller waives or is deemed to have waived the defense of impairment of the Purchased Assets by Buyer and Custodian.

Section 18.16 Default Rate. To the extent permitted by Requirements of Law, Seller shall pay interest at the Default Rate on the amount of all Repurchase Obligations not paid when due under the Repurchase Documents until such Repurchase Obligations are paid or satisfied in full.

Section 18.17 Set–off. In addition to any rights now or hereafter granted under the Repurchase Documents, Requirements of Law or otherwise, Seller and Guarantor hereby grant to Buyer and each of its Affiliates, to secure repayment of the Repurchase Obligations, a right of set-off upon any and all of the following: monies, securities, collateral or other property of Seller and Guarantor and any proceeds from the foregoing, now or hereafter held or received by Buyer, or any of its Affiliates, for the account of Seller, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general, specified, special, time, demand, provisional or final) and credits, claims or Indebtedness of Seller or Guarantor at any time existing, and any obligation owed by Buyer or any of its Affiliates to Seller or Guarantor and to set–off against any Repurchase Obligations or Indebtedness owed by Seller or Guarantor and any Indebtedness owed by Buyer or any of its Affiliates to Seller or Guarantor, in each case whether direct or indirect, absolute or contingent, matured or unmatured, whether or not arising under the Repurchase Documents and irrespective of the currency, place of payment or booking office of the amount or obligation and in each case at any time held or owing by Buyer or any of its Affiliates, to or for the credit of Seller or Guarantor, without prejudice to Buyer's right to recover any deficiency. Buyer and each of it Affiliates is hereby authorized upon any amount becoming due and payable by Seller or Guarantor to Buyer or any of its Affiliates under the Repurchase Documents, the Repurchase Obligations or otherwise or upon the occurrence and during the continuance of an Event of Default, without notice to Seller or

Guarantor, any such notice being expressly waived by Seller to the extent permitted by any Requirements of Law, to set–off, appropriate, apply and enforce such right of set–off against any and all items hereinabove referred to against any amounts owing to Buyer or any of its Affiliates by Seller or Guarantor under the Repurchase Documents and the Repurchase Obligations, irrespective of whether Buyer or any of its Affiliates shall have made any demand under the Repurchase Documents and regardless of any other collateral securing such amounts, and in all cases without waiver or prejudice of Buyer's rights to recover a deficiency. Seller shall be deemed directly indebted to Buyer and each of its Affiliates in the full amount of all amounts owing to Buyer and each of its Affiliates by Seller under the Repurchase Documents and the Repurchase Obligations, and Buyer and each of its Affiliates shall be entitled to exercise the rights of set–off provided for above. For the avoidance of doubt, the rights granted to Buyer under this Section 18.17 shall also inure to the benefit of Buyer in its capacity as Affiliated Hedge Counterparty under any Interest Rate Protection Agreement. ANY AND ALL RIGHTS TO REQUIRE BUYER OR ANY OF ITS AFFILIATES TO EXERCISE THEIR RIGHTS OR REMEDIES WITH RESPECT TO THE PURCHASED ASSETS UNDER THE REPURCHASE DOCUMENTS, PRIOR TO EXERCISING THE FOREGOING RIGHT OF SET–OFF, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED BY SELLER AND GUARANTOR.

Buyer shall promptly notify the affected Party after any such set–off and application made by Buyer or any of its Affiliates, provided that the failure to give such notice shall not affect the validity of such set–off and application. If an amount or obligation is unascertained, Buyer may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant Party accounting to the other Party when the amount or obligation is ascertained. Nothing in this Section 18.17 shall be effective to create a charge or other security interest. This Section 18.17 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.

Section 18.18 Seller's Waiver of Setoff. Seller hereby waives any right of setoff it has or may have as of the Closing Date under the Repurchase Documents or otherwise against Buyer, any Affiliate of Buyer, any Indemnified Person or their respective assets or properties.

Section 18.19 Power of Attorney. Seller hereby authorizes Buyer to file such financing statement or statements relating to the Purchased Assets without Seller's signature thereon as Buyer, at its option, may deem appropriate. Seller hereby appoints Buyer as Seller's agent and attorney in fact to execute any such financing statement or statements in Seller's name and to perform all other acts which Buyer deems appropriate to perfect and continue its ownership interest in and/or the security interest granted hereby, if applicable, and to protect, preserve and realize upon the Purchased Assets. This agency and power of attorney is coupled with an interest and is irrevocable without Buyer's consent. Seller shall pay the filing costs for any financing statement or statements prepared pursuant to this Section 18.19. In addition, Seller shall execute and deliver to Buyer the power of attorney, as set forth in Section 6.01(a)(v).

Section 18.20 Periodic Due Diligence Review. Buyer may perform reasonable continuing due diligence reviews with respect to the Purchased Assets, Seller and Guarantor, including ordering new third party reports, for purposes of, among other things, verifying compliance with the representations, warranties, covenants, agreements, duties, obligations and specifications made under the Repurchase Documents. Upon reasonable prior notice to Seller, unless a Default or Event of Default exists, in which case no notice is required, Buyer or its representatives may during normal business hours inspect any properties and examine, inspect and make copies of the books and records of Seller and Guarantor, the Asset Documents. Seller shall make reasonably available to Buyer one or more knowledgeable financial or accounting officers and representatives of the independent certified public accountants of Seller for the purpose of answering questions of Buyer concerning any of the foregoing. Buyer may purchase Purchased Assets from Seller based solely on the information provided by Seller to Buyer in the Underwriting Package and the representations, warranties, duties, obligations and covenants contained herein, and Buyer may at any time conduct a partial or complete due diligence review on some or all of the Purchased Assets, including by re-generating the information used to originate and underwrite such Purchased Assets. Buyer may underwrite such Purchased Assets itself or engage a mutually acceptable third-party underwriter to do so.

Section 18.21 Time of the Essence. Time is of the essence with respect to all obligations, duties, covenants, agreements, notices or actions or inactions of Seller under the Repurchase Documents.

Section 18.22 Patriot Act Notice. Buyer hereby notifies Seller that Buyer is required by the Patriot Act to obtain, verify and record information that identifies Seller.

Section 18.23 Successors and Assigns; No Third Party Beneficiaries. Subject to the foregoing, the Repurchase Documents and any Transactions shall be binding upon and shall inure to the benefit of the Parties and their successors and permitted assigns. Nothing in the Repurchase Documents, express or implied, shall give to any Person other than the Parties any benefit or any legal or equitable right, power, remedy or claim under the Repurchase Documents, except that each Affiliated Hedge Counterparty is an intended third party beneficiary of this Agreement and no amendment waiver or modification of any provision of this Agreement shall be effective without the signed consent of each Affiliated Hedge Counterparty.

Section 18.24 Right to Bid. Seller shall provide Buyer with a right to bid, which will expire by its terms on the second anniversary of the Closing Date, with respect to any refinancing of the Repurchase Obligations (a "Qualified Financing"). If Seller wishes to obtain a Qualified Financing, Seller shall send written notice thereof to Buyer describing the general parameters of the Qualified Financing that it is seeking. If Buyer wishes to offer to provide such Qualified Financing, Buyer shall deliver a term sheet setting forth all of the material terms for such Qualified Financing it would be willing to provide within five (5) Business Days after receipt of Seller's notice. If Buyer does not deliver a term sheet within such five (5) Business Day period or if Seller receives a term sheet from Buyer on a timely basis and elects not to pursue the related Qualified Financing with Buyer, then Seller, Guarantor and/or its Affiliates may obtain such Qualified Financing from another lender at any time thereafter and neither Buyer nor its Affiliates shall have any right to provide such Qualified Financing.

Section 18.25 Joint and Several Repurchase Obligations.

(a) At all times when there is more than one Seller under this Agreement, each Seller hereby acknowledges and agrees that (i) each Seller shall be jointly and severally liable to Buyer to the maximum extent permitted by Requirements of Law for all Repurchase Obligations, (ii) the liability of each Seller (A) shall be absolute and unconditional and shall remain in full force and effect (or be reinstated) until all Repurchase Obligations shall have been paid in full and the expiration of any applicable preference or similar period pursuant to any Insolvency Law, or at law or in equity, without any claim having been made before the expiration of such period asserting an interest in all or any part of any payment(s) received by Buyer, and (B) until such payment has been made, shall not be discharged, affected, modified or impaired on the occurrence from time to time of any event, including any of the following, whether or not with notice to or the consent of each Seller, (1) the waiver, compromise, settlement, release, termination or amendment (including any extension or postponement of the time for payment or performance or renewal or refinancing) of any of the Repurchase Obligations, (2) the failure to give notice to each Seller of the occurrence of an Event of Default, (3) the release, substitution or exchange by Buyer of any Purchased Asset (whether with or without consideration) or the acceptance by Buyer of any additional collateral or the availability or claimed availability of any other collateral or source of repayment or any nonperfection or other impairment of collateral, (4) the release of any Person primarily or secondarily liable for all or any part of the Repurchase Obligations, whether by Buyer or in connection with any Insolvency Proceeding affecting any Seller or any other Person who, or any of whose property, shall at the time in question be obligated in respect of the Repurchase Obligations or any part thereof, or (5) to the extent permitted by Requirements of Law, any other event, occurrence, action or circumstance that would, in the absence of this Section 18.25, result in the release or discharge of any or all of Sellers from the performance or observance of any Repurchase Obligation, (iii) Buyer shall not be required first to initiate any suit or to exhaust its remedies against any Seller or any other Person to become liable, or against any of the Purchased Assets, in order to enforce the Repurchase Documents and each Seller expressly agrees that, notwithstanding the occurrence of any of the foregoing, each Seller shall be and remain directly and primarily liable for all sums due under any of the Repurchase Documents, (iv) when making any demand hereunder against any Seller, Buyer may, but shall be under no obligation to, make a similar demand on any other Seller, and any failure by Buyer to make any such demand or to collect any payments from any other Seller, or any release of any such other Seller shall not relieve any Seller in a respect of which a demand or collection is not made or Sellers not so released of their obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of Buyer against Sellers, and (v) on disposition by Buyer of any Purchased Assets, each Seller shall be and shall remain jointly and severally liable for any deficiency.

(b) To the extent that any Seller (the "paying Seller") pays more than its proportionate share of any payment made hereunder, the paying Seller shall be entitled to seek and receive contribution from and against any other Seller that has not paid its proportionate share; provided, that the provisions of this Section 18.25 shall not limit the duties, covenants, agreements, obligations and liabilities of any Seller to Buyer, and, notwithstanding any payment or payments made by the paying Seller hereunder or any setoff or application of funds of the paying Seller by Buyer, the paying Seller shall

not be entitled to be subrogated to any of the rights of Buyer against any other Seller or any collateral security or guarantee or right of setoff held by Buyer, nor shall the paying Seller seek or be entitled to seek any contribution or reimbursement from any other Seller in respect of payments made by the paying Seller hereunder, until all Repurchase Obligations are paid in full. If any amount shall be paid to the paying Seller on account of such subrogation rights at any time when all such amounts shall not have been paid in full, such amount shall be held by the paying Seller in trust for Buyer, and shall, forthwith upon receipt by the paying Seller, be turned over to Buyer in the exact form received by the paying Seller (duly indorsed by the paying Seller to Buyer, if required), to be applied against the Repurchase Obligations, whether matured or unmatured, in such order as Buyer may determine.

[ONE OR MORE UNNUMBERED SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

SELLER:

RCC COMMERCIAL, INC., a Delaware corporation

By: ______________________________

Name:
Title:

RCC REAL ESTATE, INC., a Delaware corporation

By: ______________________________

Name:
Title:

BUYER:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

By: ____

Name:
Title:

Exhibit 10.3(b)

EXECUTION VERSION

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated as of February 1, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, this "Guarantee"), made by RESOURCE CAPITAL CORP., a Maryland corporation having its principal place of business at 712 5th Avenue, 12th Floor, New York, New York 10019 ("Guarantor"), in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Buyer").

RECITALS

Pursuant to that certain Master Repurchase and Securities Contract, dated as of February 1, 2011 (as amended, supplemented or otherwise modified from time to time, the "Repurchase Agreement"), among Buyer, RCC Commercial, Inc. and RCC Real Estate, Inc. (individually and collectively, "Seller"), Seller may sell, from time to time, to Buyer certain Assets, as defined in the Repurchase Agreement (the "Purchased Assets"), upon the terms and subject to the conditions as set forth therein. Pursuant to the terms of that certain Custodial Agreement, dated as of February 1, 2011, by and among Wells Fargo Bank, National Association, in its capacity as custodian (in such capacity, "Custodian"), Wells Fargo Bank, National Association, in its capacity as securities intermediary, Buyer and Seller (as amended, supplemented or otherwise modified from time to time, the "Custodial Agreement"), Custodian is required to take possession of certain documents to the extent specified in the Custodial Agreement, as Custodian of Buyer, and any future purchaser, on several delivery dates, in accordance with the terms and conditions of the Custodial Agreement. The Repurchase Agreement, the Custodial Agreement, this Guarantee and any other agreements executed in connection with the Repurchase Agreement and the Custodial Agreement shall be referred to herein as the "Repurchase Documents".

It is a condition precedent to Buyer purchasing the Purchased Assets pursuant to the Repurchase Agreement that Guarantor shall have executed and delivered this Guarantee with respect to the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, under certain circumstances, of all of the following: (a) all payment obligations owing by Seller to Buyer under or in connection with the Repurchase Agreement and any other Repurchase Documents; (b) any and all extensions, renewals, modifications, amendments or substitutions of the foregoing; (c) all reasonable out-of-pocket expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are incurred by Buyer in the enforcement of any of the foregoing or any obligation of Guarantor hereunder; and (d) all other Repurchase Obligations, including any other obligations of Seller with respect to Buyer under each of the Repurchase Documents (collectively, the "Obligations").

NOW, THEREFORE, in consideration of the foregoing premises, to induce Buyer to enter into the Repurchase Documents and to enter into the transactions contemplated thereunder, Guarantor hereby agrees with Buyer, as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Repurchase Agreement and used herein are so used as so defined. In addition thereto the following defined terms shall have the following meanings when used in this Guarantee:

"Cash and Cash Equivalents": As to any Person, (a) assets in the form of cash, cash equivalents, obligations of (or fully guaranteed as to principal and interest by) the United States or any agency or instrumentality thereof (provided the full faith and credit of the United States supports such obligation or guarantee), (b) certificates of deposit, time deposits and bankers' acceptances issued by a commercial bank having net assets of not less than $500 million and liquid debt instruments that have a readily ascertainable value and are regularly traded in a recognized financial market, mature in thirty (30) days or less and are issued by Persons rated at least A-1 by S&P and P-1 by Moodys.

"Consolidated Indebtedness": At any time, the aggregate Indebtedness of Guarantor and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth": At any time, the aggregate shareholders' equity of Guarantor and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Debt Service": For any period, the sum of: (a) Interest Expense of any Person determined on a consolidated basis for such period and (b) all regularly scheduled payments made with respect to Indebtedness of such Person during such period, also determined on a consolidated basis, other than any balloon, bullet or similar principal payment which repays such Indebtedness in full, determined in each case in accordance with GAAP.

"Debt Service Coverage Ratio": For each relevant time period, the ratio of Guarantor's consolidated EBITDA for such time period to the sum, without duplication, of (a) Debt Service of Guarantor and its Subsidiaries paid during such time period, (b) Capital Lease Obligations of Guarantor and its Subsidiaries paid during such time period, and (c) cash dividends paid by Guarantor during such time period (other than dividends paid in order to maintain Guarantor's status as a REIT, in all cases determined on a consolidated basis in accordance with GAAP.

"EBITDA": For each relevant time period, an amount equal to Guarantor's consolidated Net Income (or loss) (prior to any impact from minority interests or joint venture net income and before deduction of any dividends on preferred stock), plus the following (but only to the extent actually deducted or added in determination of such Net Income (or loss)): (i) depreciation and amortization expense, (ii) Interest Expense, (iii) income tax expense, and (iv) extraordinary or non recurring gains and losses.

"Interest Expense": With respect to a Person for any period of time, the interest expense, whether paid, accrued or capitalized (without deduction of consolidated interest income) of such Person for such period, determined in accordance with GAAP.

"Liquidity": At any time, an amount equal to the total amount of all unencumbered Cash and Cash Equivalents of Guarantor and its Subsidiaries at such time, determined in accordance with GAAP on a consolidated basis.

"Net Income": For each relevant time period, the net income of Guarantor and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

2. Guarantee. (a) Guarantor hereby unconditionally and irrevocably guarantees to Buyer the prompt and complete payment and performance of the Obligations by Seller when due (whether at the stated maturity, by acceleration or otherwise), as the case may be, and agrees to indemnify and hold harmless Buyer from any and all claims, damages, losses, liabilities, costs and expenses that may be incurred by or asserted or awarded against Buyer, in each case relating to or arising out of the Obligations, as the case may be.

(b) Nothing herein shall be deemed to be a waiver of any right that Buyer may have under Section 506(a), 506(b), 1111(b) or any other provision of the Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Repurchase Agreement or to require that all collateral shall continue to secure all of the indebtedness owing to Buyer in accordance with the Repurchase Agreement or any other Repurchase Documents.

(c) Guarantor further agrees to pay any and all reasonable out-of-pocket expenses (including, without limitation, all reasonable fees and disbursements of counsel) which may be paid or incurred by Buyer in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, Guarantor under this Guarantee. This Guarantee shall remain in full force and effect until the Obligations are paid in full, notwithstanding that from time to time prior thereto Seller may be free from any Obligations.

(d) No payment or payments made by Seller or any other Person or received or collected by Buyer from Seller or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Guarantor hereunder which shall, notwithstanding any such payment or payments, remain liable for the amount of the Obligations until the Obligations are paid in full.

(e) Guarantor agrees that whenever, at any time, or from time to time, Guarantor shall make any payment to Buyer on account of Guarantor's liability hereunder, Guarantor will notify Buyer in writing that such payment is made under this Guarantee for such purpose.

3. Subrogation. Upon making any payment hereunder, Guarantor shall be subrogated to the rights of Buyer against Seller and any collateral for any Obligations with respect to such payment; provided, that Guarantor shall not seek to enforce any right or receive any payment by way of subrogation until all amounts due and payable by Seller to Buyer under the Repurchase Documents or any related documents have been paid in full; and, further provided, that such subrogation rights shall be subordinate in all respects to all amounts owing to Buyer under the Repurchase Documents.

4. Amendments, etc. with Respect to the Obligations. Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against Guarantor, and without notice to or further assent by Guarantor, any demand for payment of any of the Obligations made by Buyer may be rescinded by Buyer and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended

modified, accelerated, compromised, waived, surrendered or released by Buyer, and any Repurchase Document and any other document in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as Buyer may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by Buyer for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Buyer shall have no obligation to protect, secure, perfect or insure any lien at any time held by it as security for the Obligations or for this Guarantee or any property subject thereto. When making any demand hereunder against Guarantor, Buyer may, but shall be under no obligation to, make a similar demand on Seller or any other guarantor, and any failure by Buyer to make any such demand or to collect any payments from Seller or any such other guarantor or any release of Seller or such other guarantor shall not relieve Guarantor of its Obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of Buyer against Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

5. Guarantee Absolute and Unconditional. (a) Guarantor hereby agrees that its obligations under this Guarantee constitute a guarantee of payment when due and not of collection. Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by Buyer upon this Guarantee or acceptance of this Guarantee; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee; and all dealings between Seller or Guarantor, on the one hand, and Buyer, on the other hand, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. Guarantor waives promptness, diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon Seller or Guarantor with respect to the Obligations. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (i) the validity, regularity or enforceability of any Repurchase Document, any of the Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by Buyer, (ii) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by Seller against Buyer, (iii) any requirement that Buyer exhaust any right to take any action against Seller or any other Person prior to or contemporaneously with proceeding to exercise any right against Guarantor under this Guarantee or (iv) any other circumstance whatsoever (with or without notice to or knowledge of Seller or Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of Seller for the Obligations or of Guarantor under this Guarantee, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against Guarantor, Buyer may, but shall be under no obligation, to pursue such rights and remedies that Buyer may have against Seller or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by Buyer to pursue such other rights or remedies or to collect any payments from Seller or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of Seller or any such other Person or any such collateral security, guarantee or right of offset, shall not relieve Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Buyer against Guarantor. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its

terms upon Guarantor and its successors and assigns thereof, and shall inure to the benefit of Buyer, and its successors, endorsees, permitted transferees and permitted assigns, until all the Obligations and the obligations of Guarantor under this Guarantee shall have been satisfied by payment in full, notwithstanding that from time to time during the term of the Repurchase Documents Seller may be free from any Obligations.

(b) Without limiting the generality of the foregoing, Guarantor hereby agrees, acknowledges, and represents and warrants to Buyer as follows:

(i) Guarantor hereby waives any defense arising by reason of, and any and all right to assert against Buyer any claim or defense based upon, an election of remedies by Buyer which in any manner impairs, affects, reduces, releases, destroys and/or extinguishes Guarantor's subrogation rights, rights to proceed against Seller, or any other guarantor for reimbursement or contribution, and/or any other rights of Guarantor to proceed against Seller, against any other guarantor, or against any other person or security.

(ii) Guarantor is presently informed of the financial condition of Seller and of all other circumstances which diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Guarantor hereby covenants that it will make its own investigation and will continue to keep itself informed about each of Seller's financial condition and the status of other guarantors, if any, of circumstances which bear upon the risk of nonpayment and that it will continue to rely upon sources other than Buyer for such information and will not rely upon Buyer for any such information. Absent a written request for such information by Guarantor to Buyer, Guarantor hereby waives the right, if any, to require Buyer to disclose to Guarantor any information that Buyer may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor.

(iii) Guarantor has independently reviewed the Repurchase Documents and related agreements and has made an independent determination as to the validity and enforceability thereof, and in executing and delivering this Guarantee to Buyer, Guarantor is not in any manner relying upon the validity, and/or enforceability, and/or attachment, and/or perfection of any liens or security interests of any kind or nature granted by Seller or any other guarantor to Buyer, now or at any time and from time to time in the future.

6. Reinstatement. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by Buyer upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Seller or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any of Seller or any substantial part of Seller's property, or otherwise, all as though such payments had not been made.

7. Payments. Guarantor hereby agrees that the Obligations will be paid to Buyer without set-off or counterclaim in Dollars at the address specified in writing by Buyer.

8. Representations and Warranties. Guarantor represents and warrants that:

(a) Guarantor has the legal capacity and the legal right to execute and deliver this Guarantee and to perform Guarantor's obligations hereunder;

(b) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other Person (including, without limitation, any creditor of Guarantor) is required in connection with the execution, delivery or performance by Guarantor, or the validity or enforceability against Guarantor of this Guarantee (other than those that have previously been obtained or made);

(c) this Guarantee has been duly executed and delivered by Guarantor and constitutes a legal, valid and binding obligation of Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in proceedings in equity or at law);

(d) the execution, delivery and performance by Guarantor of this Guarantee will not violate any law, treaty, rule or regulation or determination of an arbitrator, a court or other governmental authority, applicable to or binding upon Guarantor or any of its property or to which Guarantor or any of its property is subject ("Requirement of Law"), or any provision of any security issued by Guarantor or of any agreement, instrument or other undertaking to which Guarantor is a party or by which it or any of its property is bound ("Contractual Obligation"), and will not result in or require the creation or imposition of any lien on any of the properties or revenues of Guarantor pursuant to any Requirement of Law or Contractual Obligation of Guarantor;

(e) no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Guarantor, threatened by or against Guarantor or against any of Guarantor's properties or revenues with respect to this Guarantee or any of the transactions contemplated hereby; and

(f) except as disclosed in writing to Buyer prior to the date hereof, Guarantor has timely filed or caused to be filed all required federal income tax returns and all other material tax returns, domestic and foreign, to the knowledge of Guarantor, required to be filed by it and has timely paid all material taxes (including mortgage recording taxes), assessments, fees, and other governmental charges payable by Guarantor, or with respect to any of its properties or assets, which have become due except for any such taxes, assessments, fees and other governmental charges that either (i) are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP or (ii) collectively, do not exceed an amount equal to $10,000 as of the Closing Date or $25,000 at any time thereafter; no tax lien has been filed, and, to the knowledge of Guarantor, no claim is being asserted, with respect to any such tax, fee or other charge unless either (i) such Liens or claims relate to Taxes, assessments, fees and other governmental charges that are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP or (ii) collectively, such Taxes and claims (without duplication) do not exceed an amount equal to $10,000 as of the Closing Date or $25,000 at any time thereafter.

Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by Guarantor on the date of each Transaction under the Repurchase Agreement, on and as of such date of the Transaction, as though made hereunder on and as of such date.

9. Financial Covenants.

(a) Minimum Tangible Consolidated Net Worth. At no time shall the Consolidated Net Worth of Guarantor be less than $150,000,000.

(b) Minimum Liquidity Requirement. The Liquidity of Guarantor shall at no time be less than $7,000,000.

(c) Maximum Indebtedness to Consolidated Net Worth. At no time shall the ratio of Guarantor's Consolidated Indebtedness to Guarantor's Consolidated Net Worth be greater than 9.0 to 1.0.

(d) Maximum Debt Service Coverage Ratio. At no time shall Guarantor's Debt Service Coverage Ratio (calculated on a consolidated basis for the immediately preceding ninety (90) day period) be less than 1.35 to 1.00.

10. Set-off.

(a) In addition to any rights now or hereafter granted under the Repurchase Documents, Requirements of Law or otherwise, Guarantor hereby grants to Buyer, to secure repayment of the Repurchase Obligations, a right of set off upon any and all of the following: monies, securities, collateral or other property of Guarantor and any proceeds from the foregoing, now or hereafter held or received by Buyer or any Affiliate of Buyer, for the account of Guarantor, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general, specified, special, time, demand, provisional or final) and credits, claims or Indebtedness of Guarantor at any time existing, and any obligation owed by Buyer or any Affiliate of Buyer to Guarantor and to set-off against any Repurchase Obligations or Indebtedness owed by Guarantor and any Indebtedness owed by Buyer or any Affiliate of Buyer to Guarantor, in each case whether direct or indirect, absolute or contingent, matured or unmatured, whether or not arising under the Repurchase Documents and irrespective of the currency, place of payment or booking office of the amount or obligation and in each case at any time held or owing by Buyer or any Affiliate of Buyer to or for the credit of Guarantor, without prejudice to Buyer's right to recover any deficiency. Each of Buyer and each Affiliate of Buyer is hereby authorized upon any amount

becoming due and payable by Guarantor to Buyer under the Repurchase Documents, the Repurchase Obligations or otherwise or upon the occurrence and during the continuance of an Event of Default, without notice to Guarantor, any such notice being expressly waived by Guarantor to the extent permitted by any Requirements of Law, to set-off, appropriate, apply and enforce such right of set-off against any and all items hereinabove referred to against any amounts owing to Buyer by Guarantor under the Repurchase Documents and the Repurchase Obligations, irrespective of whether Buyer or any Affiliate of Buyer shall have made any demand under the Repurchase Documents and regardless of any other collateral securing such amounts, and in all cases without waiver or prejudice of Buyer's rights to recover a deficiency. Guarantor shall be deemed directly indebted to Buyer in the full amount of all amounts owing to Buyer by Guarantor under the Transaction Documents and the Repurchase Obligations, and Buyer shall be entitled to exercise the rights of set-off provided for above. ANY AND ALL RIGHTS TO REQUIRE BUYER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO THE PURCHASED ASSETS UNDER THE REPURCHASE DOCUMENTS, PRIOR TO EXERCISING THE FOREGOING RIGHT OF SET-OFF, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED BY GUARANTOR.

(b) Buyer shall promptly notify Guarantor after any such set-off and application made by Buyer or any of its Affiliates, provided that the failure to give such notice shall not affect the validity of such set-off and application. If an amount or obligation is unascertained, Buyer may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other party when the amount or obligation is ascertained. Nothing in this Section 10 shall be effective to create a charge or other security interest. This Section 10 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.

(c) Guarantor hereby waives any right of setoff it has or may have as of the Closing Date under the Repurchase Documents or otherwise against Buyer or any Affiliate of Buyer, or their respective assets or properties.

11. Severability. Any provision of this Guarantee that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Paragraph Headings. The paragraph headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. Buyer shall not by any act (except by a written instrument pursuant to Section 14 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default or event of default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of Buyer, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Buyer of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Buyer would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

14. Waivers and Amendments; Successors and Assigns; Governing Law. None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by Guarantor and Buyer, provided that, subject to any limitations set forth in the Repurchase Agreement, any provision of this Guarantee may be waived by Buyer in a letter or agreement executed by Buyer or by telex or facsimile or electronic (in .pdf format) transmission from Buyer. This Guarantee shall be binding upon the successors and assigns of Guarantor and shall inure to the benefit of Buyer, and its successors and permitted assigns. **THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES THEREOF OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAWS.**

15. Notices. Notices by Buyer to Guarantor may be given by mail, or by telecopy transmission, addressed to Guarantor at the address or transmission number set forth under its signature below and shall be effective (a) in the case of mail, five (5) calendar days after deposit in the postal system, first class certified mail and postage pre-paid, (b) one (1) Business Day following timely delivery to a nationally recognized overnight courier service for next Business Day delivery and (c) in the case of telecopy transmissions, when sent, transmission electronically confirmed. Notices to Buyer by Guarantor may be given in the manner set forth in the Repurchase Agreement.

16. SUBMISSION TO JURISDICTION; WAIVERS. GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS FOR GUARANTOR AND GUARANTOR'S PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND THE OTHER REPURCHASE DOCUMENTS TO WHICH GUARANTOR IS A PARTY, 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 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 WAIVES ANY OBJECTION THAT GUARANTOR 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 GUARANTOR AT GUARANTOR'S ADDRESS SET FORTH UNDER GUARANTOR'S 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.

17. Integration. This Guarantee represents the agreement of Guarantor with respect to the subject matter hereof and there are no promises or representations by Buyer relative to the subject matter hereof not reflected herein.

18. Acknowledgments. Guarantor hereby acknowledges that:

Guarantor has been advised by counsel in the negotiation, execution and delivery of this Guarantee and the related documents;

Buyer has no fiduciary relationship to Guarantor, and the relationship between Buyer and Guarantor is solely that of surety and creditor; and

no joint venture exists between or among any of Buyer, Guarantor and Seller.

19. **WAIVERS OF JURY TRIAL. GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE OR ANY RELATED DOCUMENT AND FOR ANY COUNTERCLAIM HEREIN OR THEREIN.**

[SIGNATURES SET FORTH ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has caused this Guarantee Agreement to be duly executed and delivered as of the date first above written.

RESOURCE CAPITAL CORP.,
a Maryland corporation

By: /s/
Name
Title

Address for Notices:
Resource Capital Corp.
712 5th Avenue, 12th Floor
New York, New York 10019
Attention: Each of Joan Sapinsley and
Dar Patel

Exhibit 21.1

Subsidiaries of the Registrant

RCC Real Estate, Inc., a Delaware corporation
Resource Real Estate Funding 2007-1 CDO Investor, LLC, a Delaware limited liability company
Resource Real Estate Funding CDO 2007-1 Ltd.
Resource Real Estate Funding CDO 2007-1, LLC
RREF 2007 REO, LLC
Resource Real Estate Funding 2006-1 CDO Investor, LLC, a Delaware limited liability company
Resource Real Estate Funding CDO 2006-1 Ltd.
Resource Real Estate Funding CDO 2006-1, LLC
RREF 2006 REO, LLC
RCC Real Estate SPE, LLC, a Delaware limited liability company
RCC Real Estate SPE 2, LLC, a Delaware limited liability company
RCC Real Estate SPE 3, LLC, a Delaware limited liability company
Resource TRS, Inc., a Delaware corporation
LEAF Receivables Funding 3, LLC
Resource TRS, LLC
RCC Commercial, Inc., a Delaware corporation
Apidos Cinco CDO, Ltd (“TRS”), a Cayman Island company
Apidos CDO I, Ltd. (“TRS”) a Cayman Island company
Apidos CDO III, Ltd., (“TRS”) a Cayman Island company
RCC Real Estate Acquisitions SPE, LLC
Resource Capital Trust I
RCC Trust II

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March ____, 2011 with respect to the consolidated financial statements and schedules and internal control over financial reporting included in the Annual Report of Resource Capital Corp. and subsidiaries on Form 10-K for the year ended December 31, 2010. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Resource Capital Corp. on Forms S-3 (File No. 333-170677, effective December 10, 2010 and File No. 333-146626, effective June 6, 2008) and Form S-8 (File No. 333-151622, effective June 12, 2008).

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania
March ____, 2011

EXHIBIT 31.1

CERTIFICATION

I, Jonathan Z. Cohen, certify that:

1) I have reviewed this report on Form 10-K for the year ended December 31, 2010 of Resource Capital, Corp.;

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 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 control 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 14, 2011

/s/ Jonathan Z. Cohen

Jonathan Z. Cohen
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David J. Bryant, certify that:

1) I have reviewed this report on Form 10-K for the year ended December 31, 2010 of Resource Capital Corp.;

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 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 control 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 14, 2011

/s/ David J. Bryant

David J. Bryant
Chief Financial Officer and Chief Accounting Officer

EXHIBIT 32.1

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

In connection with the Annual Report of Resource Capital Corp. (the "Company") on Form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Z. Cohen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

March 14, 2011

/s/ Jonathan Z. Cohen

Jonathan Z. Cohen
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Resource Capital Corp. (the "Company") on Form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Bryant, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

March 14, 2011	/s/ David J. Bryant
	David J. Bryant Chief Financial Officer and Chief Accounting Officer