Resource Capital Corp.
Form 424B5
June 03, 2014
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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 3, 2014

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated May 9, 2014)

Shares

% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 Per Share)

We are offering shares of our % Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock, which we refer to as the Series C Preferred Stock. This is the initial issuance of the Series C Preferred Stock.

From, and including, the date of issuance to, but excluding, July 30, 2024, we will pay cumulative distributions on the Series C Preferred Stock at an initial rate of % per annum based on the $25.00 liquidation preference, or $ per share. From, and including, July 30, 2024 and thereafter, we will pay cumulative distributions on the Series C Preferred Stock at a floating rate equal to three-month LIBOR (as defined herein) as calculated on each applicable date of determination (as defined herein) plus a spread of % per annum based on the $25.00 liquidation preference, provided that such floating rate shall not be less than the initial rate of % at any date of determination. Distributions on the Series C Preferred Stock will be paid quarterly in arrears on the 30th day of January, April, July and October of each year, beginning on July 30, 2014. The first distribution on the Series C Preferred Stock sold in this offering will be paid on July 30, 2014, will be for less than a full quarter and will reflect distributions accumulated from, and including, the date of original issuance through, but excluding, July 30, 2014.

Generally, we may not redeem the Series C Preferred Stock until July 30, 2024. On and after July 30, 2024, we may, at our option, redeem the Series C Preferred Stock, in whole or from time to time in part, by paying $25.00 per share, plus any accrued and unpaid distributions to, but excluding, the date of redemption. In addition, upon the occurrence of a Change of Control (as defined herein), we may, at our option, redeem the Series C Preferred Stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per share, plus any accrued and unpaid distributions to, but excluding, the date of redemption. To the extent we exercise our redemption right relating to the Series C Preferred Stock, the holders of Series C Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption. The Series C Preferred Stock has no maturity date and will remain outstanding indefinitely unless redeemed by us or converted in connection with a Change of Control by the holders of Series C Preferred Stock.

Upon the occurrence of a Change of Control, each holder of Series C Preferred Stock will have the right (subject to our right to redeem the Series C Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined herein)) to convert some or all of the Series C Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series C Preferred Stock (or the equivalent value of the alternative consideration) as described in this prospectus supplement.

The shares of Series C Preferred Stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust, or REIT, for federal income tax purposes. See Description of the Series C Preferred Stock Restrictions on Ownership and Transfer.

Holders of the Series C Preferred Stock generally have no voting rights except for limited voting rights if we fail to pay distributions on the Series C Preferred Stock for six or more quarterly periods (whether or not consecutive) or we fail to maintain the listing of the Series C Preferred Stock on a national securities exchange for a period of at least 180 consecutive days.

There is currently no market for the Series C Preferred Stock. We intend to file an application to list the Series C Preferred Stock on the New York Stock Exchange under the symbol RSOPrC. If this application is approved, trading of the Series C Preferred Stock on the NYSE is expected to begin within 30 days of the date of this prospectus supplement.

Investing in the Series C Preferred Stock involves risks that are described in the Risk Factors sections beginning on page S-7 of this prospectus supplement and page 7 of the accompanying prospectus, and appearing under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013.

	Per Share	Total
Public offering price	$	$
Underwriting discount and commissions	$	$
Proceeds, before expenses, to us	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the right to purchase up to additional shares of Series C Preferred Stock within 30 days after the date of this prospectus supplement at the public offering price less the underwriting discounts and commissions, solely to cover over-allotments, if any.

Delivery of the Series C Preferred Stock offered hereby will be made in book-entry form through The Depository Trust Company on or about June , 2014.

Joint Book-Running Managers

Morgan Stanley **UBS Investment Bank**

Joint-Lead Managers

Deutsche Bank Securities **Keefe, Bruyette & Woods**
A Stifel Company

Co-Manager

MLV & Co.

The date of this prospectus supplement is June , 2014.

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Prospectus Supplement

Prospectus

You should rely only on the information included in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus prepared by us and filed with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized any other person to provide you with different or additional information. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series C Preferred Stock offered hereby. Neither we nor the underwriters are making an offer to sell or soliciting an offer to buy the Series C Preferred Stock in any jurisdiction where the offer or sale or solicitation is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus or the documents incorporated by reference herein or therein is accurate as of any date other than their respective dates or such other date as may be specified herein or therein. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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EXTENDED SETTLEMENT

We expect that delivery of the shares of our Series C Preferred Stock will be made to investors on or about the fifth business day following the date of the final prospectus supplement (this settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if you wish to trade shares of our Series C Preferred Stock before their delivery, you will be required, because the shares initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. If you wish to trade shares of our Series C Preferred Stock before their delivery, you should consult your advisors.

ABOUT THIS PROSPECTUS SUPPLEMENT

We are providing information to you about this offering of Series C Preferred Stock in two parts. The first part is this prospectus supplement, which provides you with specific information regarding the terms of this offering and certain other information. The second part is the accompanying prospectus, which provides general information. Generally, when we refer to this prospectus, we are referring to both documents combined. Both this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, include important information about us, the Series C Preferred Stock being offered, and other information you should know before investing in our securities.

You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under the heading Where You Can Find More Information in this prospectus supplement before investing in our Series C Preferred Stock. This prospectus supplement adds to, updates, and changes information contained in the accompanying prospectus and the information incorporated by reference therein. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus or any document incorporated by reference, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date, the statement in the document having the later date modifies or supersedes the earlier statement.

As used in this prospectus supplement, the terms we, our, us, or the Company refer to Resource Capital Corp. and its subsidiaries, Manager refers to Resource Capital Manager, Inc., our external manager, and Resource America refers to Resource America, Inc. and its affiliated companies, including our Manager.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein and therein contain forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts but rather are based on current beliefs, assumptions and expectations regarding our future performance, taking into account all information currently known 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. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this prospectus supplement. We use words such as anticipate, could, expect, intend, plan, may, believe, seek, estimate, v negative of these terms or variations of these words and similar expressions to identify forward-looking statements. Forward-looking statements are subject to various risks and uncertainties that could cause actual results to vary from our forward-looking statements, including:

- the factors described in our Annual Report on Form 10-K for the year ended December 31, 2013, incorporated by reference in this prospectus supplement and the accompanying prospectus, including

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- 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 undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus supplement and the accompanying prospectus might not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the sections entitled Risk Factors beginning on page S-7 of this prospectus supplement and page 7 of the accompanying prospectus, as well as the information appearing under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, before making a decision to invest in the Series C Preferred Stock. You should also read the documents to which we have referred you in Incorporation of Certain Information by Reference. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus.

The Company

We are a diversified real estate investment trust that is primarily focused on originating, holding and managing commercial mortgage loans and other commercial real estate-related debt and equity investments. We also make other commercial finance investments. We are organized and conduct our operations to qualify as a real estate investment trust, or 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 strategies. 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), a specialized asset management company that uses industry-specific expertise to evaluate, originate, service and manage investment opportunities through its real estate, financial fund management and commercial finance operating segments. As of March 31, 2014, Resource America managed approximately $17.8 billion of assets in these sectors. To provide its services, the Manager draws upon Resource America, its management team and their collective investment experience.

Our principal office is located at 712 Fifth Avenue, 12th Floor, New York, New York 10019 and our telephone number is (212) 506-3870. Our website is located at *www.resourcecapitalcorp.com*. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the SEC.

Recent Developments

Sales of Preferred Stock

Pursuant to our At-the-Market Issuance Sales Agreements with MLV & Co. LLC, one of the underwriters in this offering, from April 1, 2014 to June 2, 2014, we issued and sold 139,704 shares of our 8.50% Series A Cumulative Redeemable Preferred Stock, which we refer to as the Series A Preferred Stock, at prices ranging between $23.66 and $23.97, and from April 1, 2014 to June 2, 2014, we issued and sold 622,317 shares of our 8.25% Series B Cumulative Redeemable Preferred Stock, which we refer to as the Series B Preferred Stock, at prices ranging between $22.74 and $23.24.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series C Preferred Stock, see Description of the Series C Preferred Stock in this prospectus supplement and Description of Common Stock and Preferred Stock in the accompanying prospectus.

Issuer	Resource Capital Corp.
Securities Offered	shares of % Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. This is the initial issuance of the Series C Preferred Stock. We reserve the right to reopen this series and issue additional shares of Series C Preferred Stock either through public or private sales at any time and from time to time.
Ranking	The Series C Preferred Stock will, with respect to distribution rights and rights upon our liquidation, dissolution or winding up, rank: (i) senior to all classes or series of our common stock and any class or series of our capital stock expressly designated as ranking junior to the Series C Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, which we refer to in this prospectus supplement, together with our common stock, as junior equity securities ; (ii) on a parity with the Series A Preferred Stock, the Series B Preferred Stock and any class or series of our capital stock expressly designated as ranking on a parity with the Series C Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, which we refer to in this prospect supplement, together with the Series A Preferred Stock and Series B Preferred Stock, as parity equity securities ; and (iii) junior to any class or series of our capital stock expressly designated as ranking senior to the Series C Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, which we refer to in this prospectus supplement as senior equity securities. The term capital stock does not include convertible or exchangeable debt securities, which will rank senior to the Series C Preferred Stock prior to conversion or exchange.
Distributions	We will pay cumulative cash distributions on the Series C Preferred Stock: (i) from, and including, the date of issuance to, but excluding, July 30, 2024, at an initial rate of % per annum based on the $25.00 liquidation preference, or $ per share; and (ii) from, and including, July 30, 2024 and thereafter, at a floating rate equal to three-month LIBOR as calculated on each applicable date of determination plus a spread of % per annum based on the $25.00 liquidation preference, provided that such floating rate shall not be less than the initial rate of % at any date of determination. If any date on which distributions would otherwise be payable is not a business day, then the distribution payment date will be the next business day without any adjustment to the amount of distributions paid. The first distribution on the Series C Preferred Stock will be for

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	less than a full quarter, will reflect distributions accumulated from, and including, the date of original issuance through, but excluding, July 30, 2014. For definitions of three-month LIBOR and date of determination, see Description of the Series C Preferred Stock Distributions.
Liquidation Preference	$25.00 per share of Series C Preferred Stock, plus an amount equal to accumulated, accrued and unpaid distributions, whether or not earned or declared.
Optional Redemption	We may not redeem the Series C Preferred Stock prior to July 30, 2024, except as described below under Special Optional Redemption and in limited circumstances relating to maintaining our qualification as a REIT for federal income tax purposes. On and after July 30, 2024, we may, at our option, redeem the Series C Preferred Stock, in whole, at any time, or in part, from time to time, by paying $25.00 per share, plus any accrued and unpaid distributions (whether or not declared) to, but excluding, the date of redemption. Any partial redemption of the Series C Preferred Stock will be paid on a pro rata basis, by lot or by any other equitable method we may choose. See Description of the Series C Preferred Stock Redemption.
Special Optional Redemption	In the event of a Change of Control (as defined below), we may, at our option, exercise our special optional redemption right to redeem the Series C Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per share, plus any accrued and unpaid distributions (whether or not declared) to, but excluding, the date of redemption. To the extent that we exercise our redemption right relating to the Series C Preferred Stock, the holders of Series C Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption.
	A Change of Control is when, after the original issuance of the Series C Preferred Stock, the following have occurred and are continuing:
	the acquisition by any person, syndicate or group deemed to be a person under section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our capital stock entitling that person to exercise more than 50% of the total voting power of all of our capital stock entitled to vote generally in elections of directors; and
	following the closing of any transaction referred to above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts, or ADRs, representing such securities) listed on the NYSE MKT or the NASDAQ Stock Market, or NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ. For additional details, See

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Description of the Series C Preferred Stock Redemption Special Optional Redemption.

Change of Control Conversion Right

Upon a Change of Control, each holder of Series C Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series C Preferred Stock), which we refer to as the Change of Control Conversion Right, to convert some or all of the Series C Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series C Preferred Stock to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series C Preferred Stock distribution payment and prior to the corresponding Series C Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Stock Price; and

, which we refer to as the Share Cap, subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration upon conversion as described in this prospectus supplement.

For definitions of Change of Control Conversion Date and Common Stock Price and for a description of the adjustments and provisions for the receipt of alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series C Preferred Stock Change of Control Conversion Right.

No Maturity

The Series C Preferred Stock has no maturity date and we are not required to redeem the Series C Preferred Stock. Accordingly, the Series C Preferred Stock will remain outstanding indefinitely unless we decide to redeem it pursuant to our optional redemption right or our special optional redemption right in connection with a Change of Control, or under the circumstances set forth above where the holders of the Series C Preferred Stock have the Change of Control Conversion Right and elect to convert such Series C Preferred Stock. We also have the right to make open-market purchases of the Series C Preferred Stock from time to time. We are not required to set aside funds to redeem the Series C Preferred Stock.

Voting Rights

Holders of Series C Preferred Stock generally will not have any voting rights. If, however, either (i) we have not paid distributions on the Series C Preferred Stock for six or more quarterly periods,

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whether or not consecutive, or (ii) we fail to maintain the listing of the Series C Preferred Stock on the NYSE, the NYSE MKT or NASDAQ, or on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ, for a period of at least 180 consecutive days, then holders of Series C Preferred Stock, voting together with holders of any other class or series of our preferred stock upon which similar voting rights have been conferred, which we refer to as Voting Parity Stock, including the Series A Preferred Stock and the Series B Preferred Stock, and are exercisable, will be entitled to elect two additional directors to our Board of Directors (unless already elected by the holders of any other Voting Parity Stock).

In addition, the affirmative vote of the holders of at least two-thirds of the outstanding Series C Preferred Stock (voting as a separate class) is required for us to authorize, create or increase the number of any class or series of senior equity securities or to amend our charter (including the articles supplementary designating the Series C Preferred Stock) in a manner that materially and adversely affects the rights of the holders of Series C Preferred Stock.

Among other things, we may, without any vote of the holders of Series C Preferred Stock, issue additional shares of Series C Preferred Stock and we may authorize and issue additional classes or series of parity equity securities, including additional shares of Series A Preferred Stock and Series B Preferred Stock.

Information Rights

During any period in which we are not subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act and any Series C Preferred Stock is outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series C Preferred Stock as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, supply copies of such reports to any prospective holder of the Series C Preferred Stock. We will mail (or otherwise provide) the reports to the holders of Series C Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or Section 15(d) of the Exchange Act.

Restrictions on Ownership and Transfer

Our charter, subject to certain exceptions, prohibits any person from directly or indirectly owning more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock, including the Series C Preferred Stock. In connection with the Change of Control Conversion Right, these provisions may limit the ability of the holders of Series C

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	Preferred Stock to convert their Series C Preferred Stock into our common stock. Our Board of Directors may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances. See Description of the Series C Preferred Stock Restrictions on Ownership and Transfer.
Listing	There is currently no market for the Series C Preferred Stock. We intend to file an application to list the Series C Preferred Stock on the NYSE under the symbol RSOPrC. If this application is approved, we expect trading to commence within 30 days after the date of this prospectus supplement.
Form	The Series C Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.
Use of Proceeds	We intend to use the proceeds of this offering to make investments relating to our business and for general corporate purposes. Pending these uses, the net proceeds of this offering will be held in interest-bearing bank accounts or invested in readily marketable interest-bearing securities, which are consistent with maintaining our qualification as a REIT for federal income tax purposes. See Use of Proceeds.
Settlement	Delivery of the shares of Series C Preferred Stock will be made against payment therefor on or about June , 2014.
Risk Factors	See Risk Factors beginning on S-7 of this prospectus supplement and on page 7 of the accompanying prospectus, and appearing under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, for risks you should consider before purchasing shares of our Series C Preferred Stock.

For additional information regarding the terms of the Series C Preferred Stock, see Description of the Series C Preferred Stock.

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RISK FACTORS

An investment in the Series C Preferred Stock involves risk. You should carefully consider the risk factors appearing below and under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, which are incorporated by reference into this prospectus supplement in their entirety. These risk factors may be amended or supplemented or superseded from time to time by other reports we file with the SEC in the future. If any of the events or developments actually occurs, our business, financial condition and results of operations may suffer. In that case, the value of the Series C Preferred Stock may decline, and you could lose all or part of your investment.

The Series C Preferred Stock is subordinate to our existing and future debt, and your interests could be diluted by the issuance of additional shares of preferred stock and by other transactions.

The Series C Preferred Stock will rank junior to all of our existing and future debt and any classes or series of our senior equity securities and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. Our charter currently authorizes the issuance of up to 100,000,000 shares of preferred stock in one or more classes or series. Immediately prior to this offering, there were 1,011,743 shares of Series A Preferred Stock and 4,611,294 shares of Series B Preferred Stock issued and outstanding. Subject to limitations prescribed by Maryland law and our charter, our Board of Directors is authorized to issue, from our authorized but unissued shares of capital stock, preferred stock in such classes or series as our Board of Directors may determine and to establish from time to time the number of shares of preferred stock to be included in any such class or series. The issuance of additional shares of Series C Preferred Stock or other parity equity securities, including additional shares of Series A Preferred Stock or Series B Preferred Stock, would dilute the interests of the holders of Series C Preferred Stock, and the issuance of any senior equity securities or the incurrence of additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series C Preferred Stock. Other than the Change of Control Conversion Right described in this prospectus supplement under the heading Description of the Series C Preferred Stock Change of Control Conversion Right, none of the provisions relating to the Series C Preferred Stock contain any terms relating to or limiting our indebtedness or affording the holders of Series C Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets, that might adversely affect the holders of Series C Preferred Stock, so long as the rights of the holders of Series C Preferred Stock are not materially and adversely affected.

The Series C Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series C Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series C Preferred Stock. In addition, we may elect in the future to obtain a rating of the Series C Preferred Stock, which could adversely impact the market price of the Series C Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series C Preferred Stock.

The Series C Preferred Stock may not have an active trading market, which may reduce its market value and your ability to transfer or sell your shares.

There is currently no market for the Series C Preferred Stock. We intend to file an application to list the Series C Preferred Stock on the NYSE under the symbol RSOPrC. If this application is approved, we expect trading to commence within 30 days after the date of this prospectus supplement. An active trading market for the Series C Preferred Stock may not exist after issuance of the Series C Preferred Stock offered hereby or, even if it develops, may not last, in which case the trading price of the shares could be reduced and your ability to

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transfer your shares of Series C Preferred Stock could be limited. The trading price of the shares would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic conditions; and
- our financial condition, performance and prospects.

The underwriters have informed us that they intend to make a market in the Series C Preferred Stock prior to the commencement of any trading on the NYSE. The underwriters will have no obligation to make a market in the Series C Preferred Stock, however, and may cease market-making activities, if commenced, at any time.

As a holder of Series C Preferred Stock, you will have extremely limited voting rights.

Your voting rights as a holder of Series C Preferred Stock will be limited. Our common stock is the only class of our securities that carries full voting rights. Voting rights for holders of Series C Preferred Stock exist primarily with respect to the ability to elect two additional directors to our Board of Directors if six quarterly distributions (whether or not consecutive) payable on the Series C Preferred Stock are in arrears, or if we fail to maintain the listing of the Series C Preferred Stock on the NYSE, the NYSE MKT, NASDAQ or an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ, and with respect to voting on amendments to our charter (including the articles supplementary relating to the Series C Preferred Stock) that materially and adversely affect the rights of the holders of Series C Preferred Stock or create additional classes or series of senior equity securities. See Description of the Series C Preferred Stock Voting Rights.

Future issuances of preferred stock, including future issuances of shares of Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock, may reduce the value of the Series C Preferred Stock.

Upon the completion of the offering described in this prospectus supplement, we may sell additional shares of preferred stock, including shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, on terms that may differ from those described in this prospectus supplement. Such shares could rank on parity with or, subject to the voting rights referred to above (with respect to issuances of new series of preferred stock), senior to the Series C Preferred Stock offered hereby as to distribution rights or rights upon liquidation, winding up or dissolution. The subsequent issuance of additional shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, or the creation and subsequent issuance of additional classes of preferred stock on parity with the Series C Preferred Stock, could dilute the interests of the holders of Series C Preferred Stock offered hereby. Any issuance of preferred stock that is senior to the Series C Preferred Stock would not only dilute the interests of the holders of Series C Preferred Stock offered hereby, but also could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series C Preferred Stock.

You may not be permitted to exercise the Change of Control Conversion Right. If exercisable, the Change of Control Conversion Right may not adequately compensate you, and the Change of Control Conversion Right and the redemption features of the Series C Preferred Stock may make it more difficult for a party to take over our company or discourage a party from taking over our company.

Upon the occurrence of a Change of Control, as a result of which our common stock and the common securities of the acquiring or surviving entity are not listed on the NYSE, the NYSE MKT or NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ, holders of Series C Preferred Stock will have the right to convert some or all of their Series C Preferred Stock into our common stock (or equivalent value of alternative consideration). Notwithstanding that we generally may not redeem the Series C Preferred Stock prior to July 30, 2024 we have a special optional redemption right to redeem the Series C Preferred Stock in the event of a Change of Control, and holders of Series C Preferred Stock will not have the right to exercise the Change of Control Conversion Right with respect to any shares that we

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have elected to redeem prior to the Change of Control Conversion Date. See Description of the Series C Preferred Stock Change of Control Conversion Right and Description of the Series C Preferred Stock Redemption. Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the Share Cap multiplied by the number of shares of Series C Preferred Stock converted. If the Common Stock Price (as defined in Description of the Series C Preferred Stock Change of Control Conversion Right) is less than $ (which is approximately 50% of the per-share closing sale price of our common stock on June , 2014), subject to adjustment, the holders will receive a maximum of shares of our common stock per share Series C Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series C Preferred Stock. In addition, the Change of Control Conversion Right and the redemption features of the Series C Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock and Series C Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

If we are unable to redeem the Series C Preferred Stock prior to July 30, 2024, a substantial increase in the three-month LIBOR rate could negatively impact our ability to pay distributions on the Series C Preferred Stock.

If we do not repurchase or redeem our Series C Preferred Stock prior to July 30, 2024, a substantial increase in the three-month LIBOR rate could negatively impact our ability to pay distributions on such stock. We cannot assure you that we will have adequate sources of capital to repurchase or redeem the Series C Preferred Stock on or prior to July 30, 2024. If we are unable to repurchase or redeem the Series C Preferred Stock and our ability to pay distributions on the Series C Preferred Stock is negatively impacted, the market value of the Series C Preferred Stock could be materially adversely impacted.

RATIO OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS TO EARNINGS

Our ratios of earnings to fixed charges and of earnings to combined fixed charges and preferred stock dividends for the periods indicated are set forth below. For purposes of calculating the ratios set forth below, earnings represent pre-tax income from continuing operations, as adjusted for fixed charges; and fixed charges represent interest expense and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness, and an estimate of the interest within rental expense.

	Three Months Ended March 31,	Years Ended December 31,				
	2014	2013	2012	2011	2010	2009
Ratio of Earnings to Fixed Charges	2.82	1.74	2.85	2.63	1.69	1.14
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends(1)	2.26	1.56	2.77	2.63	1.69	1.14

(1) We did not have any shares of preferred stock outstanding until June 2012 and paid our first preferred stock distribution in July 2012.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to make investments relating to our business and for general corporate purposes. Pending these uses, the net proceeds of this offering will be held in interest-bearing bank accounts or invested in readily marketable, interest-bearing securities, which are consistent with maintaining our qualification as a REIT for federal income tax purposes. We expect that these temporary investments will provide a lower net return than we hope to achieve with our general investment policies.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2014:

- on an actual basis; and

- on an as adjusted basis to give effect to the designation and classification of shares, and the issuance and sale of shares, of our Series C Preferred Stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The table below does not give effect to: (i) the issuance and sale by us of 139,704 shares of Series A Preferred Stock, 622,317 shares of Series B Preferred Stock and 1,078,800 shares of our common stock subsequent to March 31, 2014; and (ii) the issuance and sale by us of additional shares of Series C Preferred Stock that we may issue and sell upon the exercise of the underwriters over-allotment option.

The following information should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. For more details on how you can obtain our SEC reports and other information, you should read the section of the accompanying prospectus entitled Where You Can Find More Information.

	As of March 31, 2014	
	Actual	**As adjusted**
	(Dollar amounts in thousands)	
h and cash ivalents	$ 166,686	$
al long-term t	$ 1,502,089	$
iity:		
ferred stock, value $0.001:)% Series A, 000,000 shares horized, and ,039 shares ed and tanding ual and djusted)	1	
ferred stock, value $0.001: 5% Series B, 000,000 shares horized, and 38,977 shares ed and tanding ual and djusted)	4	
ferred stock, value $0.001: ed-to-Floating es C, es authorized,		

shares ed and tanding (as isted)	
nmon stock, value $0.001: ,000,000 es authorized; ,577,980 es issued and tanding luding 70,189 ested ricted shares) ual and djusted)	129
litional paid-in tal	1,059,805
umulated er nprehensive	(14,071)
ributions in ess of earnings	(265,618)
al stockholders ity	780,250
-controlling rests	(56)

5. OTHER INVESTMENTS

As of June 30, 2016, the Company's portfolio of other investments had an aggregate carrying value of approximately $4.9 million and we have committed to fund approximately $2.1 million as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and loss valuation adjustments, if any.

During the six months ended June 30, 2016, we made contributions to other investments of approximately $1.5 million, consisting primarily of a $400,000 investment in a partnership owning rental apartments located in Austin, Texas, $300,000 investment in an income and value real estate fund and $550,000 in two stock funds. The remaining contributions were made towards existing investment commitments.

During the six months ended June 30, 2016, we received distributions from other investments of approximately $569,000 primarily from various real estate related investments and proceeds from the redemption of a hedge fund.

Net income from other investments for the three and six months ended June 30, 2016 and 2015, is summarized below:

	Three months ended June 30,		Six months ended June 30,	
Description	2016	2015	2016	2015
Partnerships owning diversified businesses	$ 13,000	$ 107,000	$ 44,000	$ 114,000
Partnerships owning real estate and related	57,000	2,000	63,000	47,000
Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.)	9,000	1,000	9,000	16,000
Total net income from other investments (excluding other than temporary impairment losses)	$ 79,000	$ 110,000	$ 116,000	$ 177,000

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The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of June 30, 2016 and December 31, 2015, aggregated by investment category and the length of time that investments have been in a continuous loss position:

	As of June 30, 2016					
	12 Months or Less		Greater than 12 Months		Total	
Investment Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	$—	$—	$4,000	$(12,000)	$4,000	$(12,000)
Partnerships owning diversified businesses investments	748,000	(16,000)	—	—	748,000	(16,000)
Other (private banks, etc.)	—	—	288,000	(12,000)	288,000	(12,000)
Total	$748,000	$(16,000)	$292,000	$(24,000)	$1,040,000	$(40,000)

	As of December 31, 2015					
	12 Months or Less		Greater than 12 Months		Total	
Investment Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	$—	$—	$5,000	$(12,000)	$5,000	$(12,000)
Partnerships owning diversified businesses investments	272,000	(28,000)	184,000	(16,000)	456,000	(44,000)
Other (private banks, etc.)	—	—	288,000	(12,000)	288,000	(12,000)
Total	$272,000	$(28,000)	$477,000	$(40,000)	$748,000	$(68,000)

When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis.

In accordance with ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments there were no OTTI impairment valuation adjustments for the three and six months ended June 30, 2016 and 2015.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Topic 820, the Company measures cash and cash equivalents, marketable debt and equity securities at fair value on a recurring basis. Other investments are measured at fair value on a nonrecurring basis.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the three and six months ended June 30, 2016 and for the year ended December 31, 2015, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For the periods presented, there were no major assets measured at fair value on a recurring basis which uses significant unobservable inputs (Level 3):

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair value measurement at reporting date using			
Description	Total June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market mutual funds	$ 631,000	$ 631,000	$ —	$ —
U.S. T-bills	3,300,000	3,300,000	—	—
Marketable securities:				
Corporate debt securities	830,000	—	830,000	—
Marketable equity securities	9,536,000	9,536,000	—	—
Total assets	$ 14,297,000	$ 13,467,000	$ 830,000	$ —

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Description	Fair value measurement at reporting date using Total December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market mutual funds	$943,000	$ 943,000	$ —	$ —
U.S. T-bills	9,478,000	9,478,000	—	—
Marketable securities:				
Corporate debt securities	737,000	—	737,000	—
Marketable equity securities	9,771,000	9,771,000	—	—
Total assets	$20,929,000	$ 20,192,000	$ 737,000	$ —

Carrying amount is the estimated fair value for corporate debt securities and time deposits based on a market-based approach using observable (Level 2) inputs such as prices of similar assets in active markets.

The following are the major categories of assets and liabilities measured at fair value on a nonrecurring basis during the six months ended June 30, 2016 and for the year ended December 31, 2015. This category includes other investments which are measured using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3):

Description	Fair value measurement at reporting date using Total June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	Total losses for the three and six months ended 6/30/2016
Assets:					
Other investments by investment focus:					
Technology & Communication	$285,000	$ —	$ 285,000	$ —	$ —
Diversified businesses	2,278,000	—	2,278,000	—	—

Real estate and related	1,753,000	—	1,657,000	96,000	—
Other	635,000	—	—	635,000	—
Total assets	$ 4,951,000	$ —	$ 4,220,000	$ 731,000	$ —

	Fair value measurement at reporting date using				Total losses for year ended 12/31/2015
Description	Total December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	
Assets:					
Other investments by investment focus:					
Technology & Communication	$ 284,000	$ —	$ 284,000	$ —	$ —
Diversified businesses	1,859,000	—	1,859,000	—	—
Real estate and related	1,117,000	—	1,019,000	98,000	—
Other	635,000	—	—	635,000	—
Total assets	$ 3,895,000	$ —	$ 3,162,000	$ 733,000	$ —

(a) Other investments measured at fair value on a non-recurring basis include investments in certain entities that calculate net asset value per share (or its equivalent such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed, "NAV"). This class primarily consists of private equity funds that have varying investment focus. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held it is estimated that the underlying assets of the fund would be liquidated over 5 to 10 years. As of June 30, 2016, it is probable that all of the investments in this class will be sold at an amount different from the NAV of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable information such as audited financial statements and/or statements of partners' capital obtained directly from investees on a quarterly or other regular basis. During the six months ended June 30, 2016, the Company received distributions of approximately $567,000 from this type of investment primarily from investments in diversified businesses and real estate. During the six months ended June 30, 2016, the Company made contributions totaling approximately $1.5 million in this type of investment. As of June 30, 2016, the amount of the Company's unfunded commitments related to the aforementioned investments is approximately $2.1 million.

(b) Other investments above which are measured on a nonrecurring basis using Level 3 unobservable inputs consist of investments primarily in commercial real estate in Florida through private partnerships and two investments in the stock of private banks in Florida and Texas. The Company does not know when it will have the ability to redeem the investments and has categorized them as a Level 3 fair value measurement. The Level 3 real estate and related investments of approximately $96,000 include various investments in real estate and related. Investments in this category are measured using primarily inputs provided by the managing member of the partnerships with whom the Company has done similar transactions in the past and is well known to management. The fair values of these real estate investments have been estimated using the net asset value of the Company's ownership interest in partners' capital. The other Level 3 investments include investments in private bank stocks and a reinsurance company. The fair values of these other Level 3 investments have been estimated using the cost method less distributions received and other than temporary impairments. This investment is valued using inputs provided by the management of the investee.

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The following table includes a roll-forward of the investments classified within level 3 of the fair value hierarchy for the six months ended June 30, 2016:

	Level 3 Investments:
Balance at January 1, 2016	$ 733,000
Distributions from Level 3 investments, net of gains	(2,000)
Balance at June 30, 2016	$ 731,000

7. INCOME TAXES

The Company (excluding its taxable REIT subsidiary CII) as a qualifying real estate investment trust distributes its taxable ordinary income to stockholders in conformity with requirements of the Internal Revenue Code and is not required to report deferred items due to its ability to distribute all taxable income. In addition, net operating losses can be carried forward to reduce future taxable income but cannot be carried back.

The Company's 95%-owned subsidiary, CII, files a separate income tax return and its operations are not included in the REIT's income tax return.

The Company accounts for income taxes in accordance with ASC Topic 740, "Accounting for Income Taxes". ASC Topic 740 requires a Company to use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes only pertain to CII. As of June 30, 2016 and December 31, 2015, the Company has recorded a net deferred tax liability of $217,000 as a result of timing differences associated with the carrying value of the investment in affiliate (TGIF) and other investments. CII's NOL carryover to 2017 is estimated at $1.1 million expiring beginning in 2022 and has been fully reserved due to CII historically having tax losses.

The provision for income taxes in the consolidated statements of comprehensive income consists of the following:

Six months ended June 30,	2016	2015
Current:		

Federal	$-	$-
State	-	-
	-	-
Deferred:		
Federal	$135,000	$42,000
State	21,000	5,000
	156,000	47,000
Additional valuation allowance	(156,000)	(47,000)
Total	$-	$-

The Company follows the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC Topic 740, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2015. The Company's federal income tax returns since 2012 are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns were filed.

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We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. In the event we have received an assessment for interest and/or penalties, it has been classified in the consolidated financial statements as selling, general and administrative expense.

8. <u>STOCK OPTIONS</u>

Stock based compensation expense is recognized using the fair-value method for all awards. On June 30, 2016 the Company granted options to purchase 12,500 shares of the Company’s common stock to three directors and one officer. The exercise price of the options is equal to $9.31 per share, the market price of the stock on the date of grant and the options expires on June 29, 2021. The Company determined the fair value of its option awards using the Black-Scholes option pricing model. The following assumptions were used to value the options granted during the six months ended June 30, 2016: 5 year expected life; expected volatility of approximately 39%; risk-free of .45% and annual dividend yield of 4%. The expected life for options granted during the period represents the period of time that options are to be outstanding based on the expiration date of the Plan. Expected volatilities are based upon historical volatility of the Company’s stock over a period equal to the 5 year expected life.

The weighted average fair value for options granted during the six months ended June 30, 2016 was $2.14 per share. For the six months ended June 30, 2016 the Company recorded approximately $27,000 in non-employee stock option expense relating to the options granted in 2016.

The following table summarizes stock option activity during the six months ended June 30, 2016:

	Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 2016	20,700	$ 17.54
Forfieted	(7,500)	$ 18.89
Granted	12,500	$ 9.31
Outstanding at June 30, 2016	25,700	$ 13.14

The following table summarizes information concerning outstanding and exercisable options as of June 30, 2016:

Strike Price	Number Outstanding and exercisable	Weighted Average Strike Price
$ 9.31	12,500	$ 9.31
$ 12.75	3,000	$ 12.75
$ 17.84	9,500	$ 17.84
$ 19.50	700	$ 19.50
	25,700	$ 13.14

As of June 30, 2016 the options outstanding and exercisable had no intrinsic value.

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9. SUBSEQUENT EVENTS

Subsequent to June 30, 2016 the Company purchased 33,101 shares of its common stock for treasury. This included one privately negotiated purchase of 30,000 shares at $10.27 per share.

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

RESULTS OF OPERATIONS

The Company reported net income of approximately $289,000 ($.28 per share) and approximately $230,000 ($.22 per share) for the three and six months ended June 30, 2016, respectively. For the three and six months ended June 30, 2015, we reported a net loss of $812,000 ($.78 per share) and $756,000 ($.73 per share), respectively.

REVENUES

Rentals and related revenues for the three and six months ended June 30, 2016 and 2015 consists of rent from the Advisor to CII for its corporate office.

Net realized and unrealized gain from investments in marketable securities:

Net realized gain (loss) from investments in marketable securities for the three and six months ended June 30, 2016 was approximately $31,000 and ($17,000), respectively. Net realized gain from investments in marketable securities for the three and six months ended June 30, 2015 was approximately $49,000 and $204,000, respectively. Net unrealized gain from investments in marketable securities for the three and six months ended June 30, 2016 was approximately $361,000 and $571,000, respectively. Net unrealized loss from investments in marketable securities for the three and six months ended June 30, 2015 was approximately $601,000 and $574,000, respectively. For further details refer to Note 3 to Condensed Consolidated Financial Statements (unaudited).

Net income from other investments:

Net income from other investments for the three and six months ended June 30, 2016 was approximately $79,000 and $116,000, respectively. Net income from other investments for the three and six months ended June 30, 2015 was approximately $110,000 and $177,000, respectively. For further details refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Interest, dividend and other income:

Interest, dividend and other income for the three and six months ended June 30, 2016 was approximately $155,000 and $304,000, respectively. Interest, dividend and other income for the three and six months ended June 30, 2015 was approximately $167,000 and $352,000, respectively. The decreases in the three and six month comparable periods was primarily due to non-recurring other income.

EXPENSES

Professional fees and expenses for the three and six months ended June 30, 2016 as compared with the same periods in 2015 decreased by approximately $207,000 (89%) and $191,000 (62%), respectively, primarily due to decreased legal fees.

General and administrative expenses for the three and six months ended June 30, 2016 as compared with the same periods in 2015 (decreased) increased by approximately ($10,000) (10%) and $13,000 (8%), respectively. The decrease in the three month comparable periods was primarily due to decreased placement fees on other investments. The increase in the six month comparable periods was primarily due to other taxes and related expense.

EFFECT OF INFLATION:

Inflation affects the costs of holding the Company's investments. Increased inflation would decrease the purchasing power of our mainly liquid investments.

LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES

The Company's material commitments primarily consist of a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately $1.8 million due on demand, contributions committed to other investments of approximately $2.1 million due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of investments, distributions from investments and available cash.

<u>MATERIAL COMPONENTS OF CASH FLOWS</u>

For the six months ended June 30, 2016, net cash used in operating activities was approximately $387,000, primarily consisting of operating expenses.

For the six months ended June 30, 2016, net cash used in investing activities was approximately $806,000. This consisted primarily of $2.1 million in purchases of marketable securities, $1.5 million of contributions to other investments and $500,000 in additions in mortgage loans receivable. These uses of funds were partially offset by net proceeds from sales of marketable securities of $2.8 million and distributions from other investments of $569,000.

For the six months ended June 30, 2016, net cash used in financing activities was $5.5 million, consisting primarily of margin repayments of $4.9 million and dividends paid of $518,000.

Item 3. Quantitative and Qualitative Disclosures about Market Risk
Not applicable

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.
Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q have concluded that, based on such evaluation, our disclosure controls and procedures were effective and designed to ensure that material information relating to us and our consolidated subsidiaries, which we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, was made known to them by others within those entities and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Control Over Financial Reporting.
There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation of such internal control over financial reporting that occurred during our last fiscal quarter which have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:
As previously reported, we have one current program to repurchase up to $600,000 of outstanding shares of our common stock from time to time in the open market at prevailing market prices or in privately negotiated transactions. This program was approved by our Board of Directors on June 30, 2016 and expires on June 29, 2021. There were no shares purchased under the program during the six months ended June 30, 2016.

Item 3. Defaults Upon Senior Securities: None.

Item 4. Mine Safety Disclosures: Not applicable.

Item 5. Other Information: None

Item 6. Exhibits:

(a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.

SIGNATURES

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

HMG/COURTLAND PROPERTIES, INC.

Dated: August 15, 2016 /s/ Maurice Wiener
CEO and President

Dated: August 15, 2016 /s/Carlos Camarotti
CFO and Vice President

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