

Resource Capital Corp.  
Form 10-Q  
August 08, 2011

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

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FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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  
(State or other jurisdiction of  
incorporation or organization)

20-2287134  
(I.R.S. Employer  
Identification No.)

712 5th Avenue, 12th Floor  
New York, New York 10019  
(Address of principal executive offices) (Zip code)  
(212) 506-3870  
(Registrant's telephone number, including area code)

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. R Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes R No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Exchange Act).  
Yes R No

The number of outstanding shares of the registrant's common stock on August 3, 2011 was 74,436,286 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES  
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 ON FORM 10-Q

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2011 (unaudited)	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$46,898	\$29,488
Restricted cash	188,897	168,192
Investment securities, trading	32,345	17,723
Investment securities available-for-sale, pledged as collateral, at fair value	82,242	57,998
Investment securities available-for-sale, at fair value	45,866	5,962
Investment securities held-to-maturity, pledged as collateral	29,616	29,036
Property available-for-sale	4,444	4,444
Investments in real estate	31,599	–
Loans, pledged as collateral and net of allowances of \$29.7 million and \$34.2 million	1,455,445	1,443,271
Loans held for sale	1,650	28,593
Lease receivables, pledged as collateral, net of allowances of \$0 and \$70,000 and net of unearned income	–	109,612
Loans receivable-related party	9,663	9,927
Investments in unconsolidated entities	6,437	6,791
Dividend reinvestment plan proceeds receivable	–	10,000
Interest receivable	5,107	6,330
Deferred tax asset	4,401	4,401
Intangible assets	21,678	–
Other assets	6,145	2,432
<b>Total assets</b>	<b>\$1,972,433</b>	<b>\$1,934,200</b>
<b>LIABILITIES</b>		
Borrowings	\$1,473,202	\$1,543,251
Distribution payable	18,567	14,555
Accrued interest expense	1,382	1,618
Derivatives, at fair value	16,535	13,292
Deferred tax liability	9,798	9,798
Accounts payable and other liabilities	19,569	3,360
<b>Total liabilities</b>	<b>1,539,053</b>	<b>1,585,874</b>
<b>STOCKHOLDERS' EQUITY</b>		
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; 74,230,500 and 58,183,425 shares issues and outstanding (including 1,192,388 and 534,957 unvested restricted shares)	74	58

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Additional paid-in capital	630,420	528,373
Accumulated other comprehensive loss	(37,131 )	(33,918 )
Distributions in excess of earnings	(159,983 )	(146,187 )
Total stockholders' equity	433,380	348,326
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,972,433	\$1,934,200

The accompanying notes are an integral part of these statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>REVENUES</b>				
Interest income:				
Loans	\$20,591	\$19,389	\$41,841	\$37,938
Securities	2,955	2,895	5,715	5,769
Leases	–	1,928	–	2,163
Interest income – other	1,716	248	2,935	299
Total interest income	25,262	24,460	50,491	46,169
Interest expense	7,062	8,929	13,995	16,866
Net interest income	18,200	15,531	36,496	29,303
Rental income	157	–	180	–
Dividend income	866	–	1,527	–
Fee income	2,253	–	3,899	–
Total revenues	21,476	15,531	42,102	29,303
<b>OPERATING EXPENSES</b>				
Management fees – related party	3,148	4,288	5,486	5,440
Equity compensation – related party	623	197	1,083	919
Professional services	989	876	1,908	1,695
Insurance	159	180	336	392
Rental operating expense	176	–	312	–
General and administrative	1,130	864	1,939	1,511
Depreciation on operating leases	–	685	–	685
Depreciation and amortization	756	–	1,009	–
Income tax expense	1,171	1,132	2,980	1,237
Total expenses	8,152	8,222	15,053	11,879
	13,324	7,309	27,049	17,424
<b>OTHER (EXPENSE) INCOME</b>				
Net impairment losses recognized in earnings	(4,649 )	(6,058 )	(4,649 )	(6,058 )
Net realized gain on investment securities available-for-sale and loans	3,696	190	3,852	336
Net realized and unrealized gain on investment securities, trading	1,473	2,528	3,279	2,528
Provision for loan and lease losses	(4,113 )	(7,897 )	(6,719 )	(23,268 )
Gain on the extinguishment of debt	–	16,407	–	23,035
Other (expense) income	(512 )	883	(451 )	771
Total other (expense) income	(4,105 )	6,053	(4,688 )	(2,656 )
NET INCOME	\$9,219	\$13,362	\$22,361	\$14,768
NET INCOME PER SHARE – BASIC	\$0.13	\$0.30	\$0.34	\$0.36
NET INCOME PER SHARE – DILUTED	\$0.13	\$0.30	\$0.34	\$0.36
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC</b>				
	70,704,579	44,424,281	65,455,811	41,233,517

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WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	71,008,075	44,724,087	65,732,464	41,555,127
DIVIDENDS DECLARED PER SHARE	\$0.25	\$0.25	\$0.50	\$0.50

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2011  
(in thousands, except share and per share data)  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated		Distributions in Excess of Earnings	Total Stockholder Equity	Comprehensive Income
	Shares	Amount		Other Comprehensive Loss	Retained Earnings			
Balance, January 1, 2011	58,183,425	\$58	\$ 528,373	\$ (33,918 )	\$-	\$ (146,187 )	\$ 348,326	
Proceeds from common stock offering	6,900,000	7	47,603	-	-	-	47,610	
Proceeds from dividend reinvestment and stock purchase plan	8,176,573	8	54,556	-	-	-	54,564	
Offering costs	-	-	(1,228 )	-	-	-	(1,228 )	
Stock based compensation	970,847	1	33	-	-	-	34	
Amortization of stock based compensation	-	-	1,083	-	-	-	1,083	
Forfeitures	(345 )	-	-	-	-	-	-	
Net income	-	-	-	-	22,361	-	22,361	\$ 22,361
Securities available-for-sale, fair value adjustment, net	-	-	-	(82 )	-	-	(82 )	(82 )
Designated derivatives, fair value adjustment	-	-	-	(3,131 )	-	-	(3,131 )	(3,131 )
Distributions on common stock	-	-	-	-	(22,361)	(13,796 )	(36,157 )	
Comprehensive income	-	-	-	-	-	-	-	\$ 19,148
Balance, June 30, 2011	74,230,500	\$74	\$ 630,420	\$ (37,131 )	\$-	\$ (159,983 )	\$ 433,380	

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)  
(Unaudited)

	Six Months Ended June 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$22,361	\$14,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	6,719	23,268
Depreciation and amortization of term facilities and real estate investments	293	410
Depreciation on operating leases	-	685
Accretion of net discounts on loans held for investment	(9,720 )	(6,056 )
Accretion of net discounts on securities available-for-sale	(1,739 )	(2,201 )
Accretion of net discounts on securities held-to-maturity	(237 )	(197 )
Amortization of discount on notes of CDOs	27	306
Amortization of debt issuance costs on notes of CDOs	1,521	2,300
Amortization of stock-based compensation	1,083	923
Amortization of terminated derivative instruments	111	272
Amortization of intangible assets	980	-
Non-cash incentive compensation to manager	201	743
Purchase of investment securities, trading	(28,340 )	(9,490 )
Principal payments on investment securities, trading	123	-
Proceeds from sales of investment securities, trading	16,868	7,034
Net realized and unrealized gains on investments securities, trading	(3,279 )	(2,528 )
Unrealized losses on non-designated derivative instruments	-	44
Net realized gains on investments	(3,852 )	(336 )
Net impairment losses recognized in earnings	4,649	6,058
Gain on the extinguishment of debt	-	(23,035 )
Changes in operating assets and liabilities	14,635	3,001
Net cash provided by operating activities	22,404	15,969
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in restricted cash	(20,023 )	(20,128 )
Purchase of securities available-for-sale	(59,348 )	(10,366 )
Principal payments on securities available-for-sale	3,483	988
Proceeds from sale of securities available-for-sale	13,747	1,759
Investment in unconsolidated entity	354	(1,506 )
Equity contribution to VIE	-	(7,333 )
Purchase of loans	(387,247 )	