

Resource Capital Corp.  
Form 10-Q  
November 09, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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)

20-2297134  
(I.R.S. Employer  
Identification No.)

712 5th Avenue, 10th 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.  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  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	<input type="radio"/>	(Do not check if a smaller reporting Company)	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>		Smaller reporting company	<input type="radio"/>

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

The number of outstanding shares of the registrant’s common stock on November 3, 2009 was 25,705,178 shares.

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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 data)

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,828	\$ 14,583
Restricted cash	66,997	60,394
Investment securities available-for-sale, pledged as collateral, at fair value	36,311	22,466
Investment securities available-for-sale, at fair value	4,288	6,794
Investment securities held-to-maturity, pledged as collateral	32,624	28,157
Loans, pledged as collateral and net of allowances of \$59.4 million and \$43.9 million	1,585,075	1,684,622
Loans held for sale	15,103	-
Direct financing leases and notes, pledged as collateral, net of allowance of \$900,000 and \$450,000 and net of unearned income	2,205	104,015
Investments in unconsolidated entities	1,548	1,548
Interest receivable	6,235	8,440
Other assets	2,901	5,012
<b>Total assets</b>	<b>\$ 1,769,115</b>	<b>\$ 1,936,031</b>
<b>LIABILITIES</b>		
Borrowings	\$ 1,567,919	\$ 1,699,763
Distribution payable	7,509	9,942
Accrued interest expense	2,018	4,712
Derivatives, at fair value	15,658	31,589
Accounts payable and other liabilities	6,639	3,720
<b>Total liabilities</b>	<b>1,599,743</b>	<b>1,749,726</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; 24,895,409 and 25,344,867 shares issued and outstanding (including 464,136 and 452,310 unvested restricted shares)	25	26
Additional paid-in capital	355,103	356,103
Accumulated other comprehensive loss	(68,266 )	(80,707 )
Distributions in excess of earnings	(117,490 )	(89,117 )
<b>Total stockholders' equity</b>	<b>169,372</b>	<b>186,305</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,769,115</b>	<b>\$ 1,936,031</b>

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>REVENUES</b>				
Net interest income:				
Loans	\$20,207	\$28,578	\$64,333	\$88,885
Securities	1,906	1,387	4,674	4,544
Leases	11	1,995	4,337	5,946
Interest income – other	377	352	1,053	2,178
Total interest income	22,501	32,312	74,397	101,553
Interest expense	9,203	18,664	35,828	60,736
Net interest income	13,298	13,648	38,569	40,817
<b>OPERATING EXPENSES</b>				
Management fees – related party	3,954	1,915	5,880	4,824
Equity compensation – related party	721	157	1,074	779
Professional services	739	773	2,792	2,229
Insurance expenses	220	171	609	469
General and administrative	410	421	1,256	1,119
Income tax expense (benefit)	6	(33 )	5	134
Total expenses	6,050	3,404	11,616	9,554
<b>NET OPERATING INCOME</b>	<b>7,248</b>	<b>10,244</b>	<b>26,953</b>	<b>31,263</b>
<b>OTHER INCOME (EXPENSE)</b>				
Impairment losses on investment securities	\$(3,019 )	\$–	\$(19,372 )	\$–
Recognized in other comprehensive loss	(2,124 )	–	(12,812 )	–
Net impairment losses recognized in earnings	(895 )	–	(6,560 )	–
Net realized and unrealized (losses) gains on loans and investments	(1,517 )	242	(11,805 )	(1,651 )
Other (expense) income	(1,417 )	27	(1,375 )	86
Provision for loan and lease losses	(4,632 )	(10,999 )	(32,605 )	(27,828 )
Gain on the extinguishment of debt	12,741	–	19,641	1,750
Gain on the settlement of a loan	–	574	–	574
Total other income (expense)	4,280	(10,156 )	(32,704 )	(27,069 )
<b>NET INCOME (LOSS)</b>	<b>\$11,528</b>	<b>\$88</b>	<b>\$(5,751 )</b>	<b>\$4,194</b>
<b>NET INCOME (LOSS) PER SHARE – BASIC</b>	<b>\$0.48</b>	<b>\$0.00</b>	<b>\$(0.24 )</b>	<b>\$0.17</b>
<b>NET INCOME (LOSS) PER SHARE – DILUTED</b>	<b>\$0.47</b>	<b>\$0.00</b>	<b>\$(0.24 )</b>	<b>\$0.17</b>

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WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC	24,112,240	24,814,789	24,321,007	24,719,889
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	24,376,681	25,054,296	24,321,007	24,889,965
DIVIDENDS DECLARED PER SHARE	\$0.30	\$0.39	\$0.90	\$1.21

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  
NINE MONTHS ENDED SEPTEMBER 30, 2009  
(in thousands, except share data)  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated	Retained Earnings	Distributions	Total Stockholder Equity	Comprehensive Loss
	Shares	Amount		Other Comprehensive Loss		in Excess of Earnings		
Balance, January 1, 2009	25,344,867	\$26	\$356,103	\$ (80,707 )	\$-	\$ (89,117 )	\$ 186,305	
Net proceeds from dividend reinvestment and stock purchase plan	682,504	-	2,866	-	-	-	2,866	
Repurchase and retirement of treasury shares	(1,400,000 )	(1 )	(5,038 )	-	-	-	(5,039 )	
Stock based compensation	276,229	-	98	-	-	-	98	
Amortization of stock based compensation	-	-	1,074	-	-	-	1,074	
Forfeiture of unvested stock	(8,191 )	-	-	-	-	-	-	
Net loss	-	-	-	-	(5,751 )	-	(5,751 )	\$ (5,751 )
Securities available-for-sale, fair value adjustment, net	-	-	-	(3,793 )	-	-	(3,793 )	(3,793 )
Designated derivatives, fair value adjustment	-	-	-	16,234	-	-	16,234	16,234
Distributions on common stock	-	-	-	-	5,751	(28,373 )	(22,622 )	
Comprehensive loss	-	-	-	-	-	-	-	\$ 6,690
Balance, September 30, 2009	24,895,409	\$25	355,103	(68,266 )	-	\$ (117,490 )	\$ 169,372	

The accompanying notes are an integral part of this financial statement

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

	Nine Months Ended September 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$(5,751 )	\$4,194
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Provision for loan and lease losses	32,605	27,828
Depreciation and amortization of term facilities	1,172	812
Accretion of net discount on investments	(4,589 )	(873 )
Amortization of discount on notes of CDOs	160	128
Amortization of debt issuance costs on notes of CDOs	2,787	2,345
Amortization of stock-based compensation	1,074	779
Amortization of terminated derivative instruments	367	92
Net realized gains on derivative instruments	-	(6 )
Non-cash incentive compensation to the Manager	768	341
Unrealized losses on non-designated derivative instruments	70	-
Net realized and unrealized losses on investments	11,805	1,651
Net impairment losses recognized in earnings	6,560	-
Gain on the extinguishment of debt	(19,641 )	(1,750 )
Changes in operating assets and liabilities	12,343	614
Net cash provided by operating activities	39,730	36,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Restricted cash	(16,487 )	38,724
Purchase of securities available-for-sale	(20,135 )	-