

Resource Capital Corp.
Form 10-Q
August 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2013

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. 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). 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 the definitions 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 No

The number of outstanding shares of the registrant's common stock on August 6, 2013 was 127,000,362 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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PART I

ITEM 1. FINANCIAL STATEMENTS

RESOURCE CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS ⁽¹⁾		
Cash and cash equivalents	\$ 168,402	\$ 85,278
Restricted cash	100,961	94,112
Investment securities, trading	12,266	24,843
Property available-for-sale	19,620	—
Investment securities available-for-sale, pledged as collateral, at fair value	194,649	195,200
Investment securities available-for-sale, at fair value	40,359	36,390
Linked transactions, net at fair value	25,281	6,835
Loans held for sale	20,127	48,894
Investment in real estate	55,361	75,386
Loans, pledged as collateral and net of allowances of \$14.1 million and \$17.7 million	1,658,611	1,793,780
Loans receivable—related party	7,962	8,324
Investments in unconsolidated entities	63,405	45,413
Interest receivable	8,090	7,763
Deferred tax asset	3,120	2,766
Principal paydown receivable	3,133	25,570
Intangible assets	12,196	13,192
Prepaid expenses	6,118	10,396
Other assets	2,819	4,109
Total assets	\$ 2,402,480	\$ 2,478,251
LIABILITIES ⁽²⁾		
Borrowings	\$ 1,558,910	\$ 1,785,600
Distribution payable	26,694	21,655
Accrued interest expense	3,276	2,918
Derivatives, at fair value	12,705	14,687
Accrued tax liability	3,817	13,641
Deferred tax liability	8,376	8,376
Accounts payable and other liabilities	11,258	18,029
Total liabilities	1,625,036	1,864,906
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001: 8.50% Series A 100,000,000 shares authorized, 676,373 shares issued and outstanding	1	1
Preferred stock, par value \$0.001: 8.25% Series B 100,000,000 shares authorized, 3,072,767 and 1,126,898 shares issued and outstanding	3	1
Common stock, par value \$0.001: 500,000,000 shares authorized; 126,992,913 and 105,118,093 shares issued and outstanding (including 3,011,215 and 3,308,343 unvested restricted shares)	127	105
Additional paid-in capital	1,022,253	836,053

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Accumulated other comprehensive loss	(20,106) (27,078)
Distributions in excess of earnings	(224,834) (195,737)
Total stockholders' equity	777,444	613,345	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,402,480	\$2,478,251	

The accompanying notes are an integral part of these statements

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PART I

ITEM 1. FINANCIAL STATEMENTS

RESOURCE CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2013 (Unaudited)	December 31, 2012
(1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above:		
Restricted cash	\$94,285	\$90,108
Investments securities available-for-sale, pledged as collateral, at fair value	136,249	135,566
Loans held for sale	20,127	14,894
Loans, pledged as collateral and net of allowances of \$9.5 million and \$15.2 million	1,410,187	1,678,719
Interest receivable	5,654	5,986
Prepaid expenses	220	328
Principal paydown receivable	31	25,570
Other assets	35	333
Total assets of consolidated VIEs	\$1,666,788	\$1,951,504
(2) Liabilities of consolidated VIEs included in the total liabilities above:		
Borrowings	\$1,345,454	\$1,614,882
Accrued interest expense	2,429	2,666
Derivatives, at fair value	12,237	14,078
Accounts payable and other liabilities	683	698
Total liabilities of consolidated VIEs	\$1,360,803	\$1,632,324

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,	
	2013	2012	2013	2012
REVENUES				
Interest income:				
Loans	\$26,184	\$23,012	\$53,996	\$46,627
Securities	3,896	3,551	7,538	6,956
Interest income – other	635	3,157	2,501	5,986
Total interest income	30,715	29,720	64,035	59,569
Interest expense	11,134	8,869	22,299	17,252
Net interest income	19,581	20,851	41,736	42,317
Rental income	5,052	2,034	11,226	3,953
Dividend income	17	17	33	34
Equity in income (losses) of unconsolidated subsidiaries	72	(1,761)	(353)	(690)
Fee income	1,527	2,141	2,937	3,751
Net realized gain on sales of investment securities available-for-sale and loans	2,394	1,422	2,785	1,802
Net realized and unrealized (loss) gain on investment securities, trading	(1,751)	) 1,424	(635)	) 3,568
Unrealized (loss) gain and net interest income on linked transactions, net	(5,245)	) 134	(5,504)	) 253
Total revenues	21,647	26,262	52,225	54,988
OPERATING EXPENSES				
Management fees – related party	2,915	4,548	5,893	7,991
Equity compensation – related party	2,155	1,140	5,746	2,008
Professional services	903	617	2,349	1,717
Insurance	212	159	374	317
Rental operating expense	3,624	1,309	7,561	2,629
General and administrative	1,267	1,470	3,140	2,533
Depreciation and amortization	999	1,364	2,137	2,725
Income tax expense	1,737	384	3,499	2,999
Net impairment losses recognized in earnings	535	32	556	171
(Benefit) provision for loan losses	(1,242)	) 4,253	(200)	) 6,431
Total operating expenses	13,105	15,276	31,055	29,521
	8,542	10,986	21,170	25,467
OTHER REVENUE (EXPENSE)				
Gain on the extinguishment of debt	—	5,464	—	5,464
Total other revenue (expense)	—	5,464	—	5,464
NET INCOME	8,542	16,450	21,170	30,931
Net income allocated to preferred shares	(1,800)	) (25)	) (3,111)	) (25)
Net income from non-controlling interests	(209)) —	—	—
NET INCOME ALLOCABLE TO COMMON SHARES	\$6,533	\$16,425	\$18,059	\$30,906
NET INCOME PER COMMON SHARE – BASIC	\$0.05	\$0.20	\$0.16	\$0.38

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NET INCOME PER COMMON SHARE – DILUTED	\$0.05	\$0.20	\$0.16	\$0.37
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	120,738,176	83,466,810	112,508,254	82,334,303
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	122,283,503	84,188,216	113,832,183	83,040,604

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$8,542	\$16,450	\$21,170	\$30,931
Other comprehensive income:				
Reclassification adjustment for (gains) losses included in net income	(4,498	) 922	(5,125	) 934
Unrealized gains (losses) on available-for-sale securities, net	4,699			