

Resource Capital Corp.
Form 10-Q
May 09, 2014

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 March 31, 2014

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
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 May 7, 2014 was 129,197,871 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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ON FORM 10-Q

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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)

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS ⁽¹⁾		
Cash and cash equivalents	\$166,686	\$262,270
Restricted cash	115,952	63,309
Investment securities, trading	9,987	11,558
Investment securities available-for-sale, pledged as collateral, at fair value	159,051	162,608
Investment securities available-for-sale, at fair value	74,500	52,598
Linked transactions, net at fair value	34,829	30,066
Loans held for sale	15,389	21,916
Property available-for-sale	35,256	25,346
Investment in real estate	19,971	29,778
Loans, pledged as collateral and net of allowances of \$6.6 million and \$13.8 million	1,596,731	1,369,526
Loans receivable—related party	6,498	6,966
Investments in unconsolidated entities	62,053	69,069
Derivatives, at fair value	556	—
Interest receivable	10,503	8,965
Deferred tax asset	5,048	5,212
Principal paydown receivable	1	6,821
Intangible assets	11,283	11,822
Prepaid expenses	4,155	2,871
Other assets	13,459	10,726
Total assets	\$2,341,908	\$2,151,427
LIABILITIES ⁽²⁾		
Borrowings	\$1,502,089	\$1,319,810
Distribution payable	27,601	27,023
Accrued interest expense	3,848	1,693
Derivatives, at fair value	10,242	10,586
Accrued tax liability	387	1,629
Deferred tax liability	4,036	4,112
Accounts payable and other liabilities	13,511	12,650
Total liabilities	1,561,714	1,377,503
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001: 100,000,000 shares authorized 8.50% Series A cumulative redeemable preferred shares, liquidation preference \$25.00 per share, 872,039 and 680,952 shares issued and outstanding	1	1
Preferred stock, par value \$0.001: 100,000,000 shares authorized 8.25% Series B cumulative redeemable preferred shares, liquidation preference \$25.00 per share 3,988,977 and 3,485,078 shares issued and outstanding	4	3
Common stock, par value \$0.001: 500,000,000 shares authorized; 128,577,980 and 127,918,927 shares issued and outstanding (including 2,670,189 and 3,112,595 unvested restricted shares)	129	128
Additional paid-in capital	1,059,805	1,042,480

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Accumulated other comprehensive loss	(14,071) (14,043)
Distributions in excess of earnings	(265,618) (254,645)
Total stockholders' equity	780,250	773,924	
Non-Controlling interests	(56) —	
Total equity	780,194	773,924	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,341,908	\$2,151,427	

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

	March 31, 2014 (unaudited)	December 31, 2013
(1) Assets of consolidated VIEs included in the total assets:		
Restricted cash	\$113,362	\$61,372
Investment securities available-for-sale, pledged as collateral, at fair value	116,429	105,846
Loans held for sale	272	2,376
Loans, pledged as collateral and net of allowances of \$5.1 million and \$8.8 million	1,305,377	1,219,569
Interest receivable	6,626	5,627
Prepaid expenses	163	247
Principal paydown receivable	1	6,821
Total assets of consolidated VIEs	\$1,542,230	\$1,401,858
(2) Liabilities of consolidated VIEs included in the total liabilities:		
Borrowings	\$1,183,468	\$1,070,339
Accrued interest expense	1,356	918
Derivatives, at fair value	9,841	10,191
Accounts payable and other liabilities	4,150	1,604
Total liabilities of consolidated VIEs	\$1,198,815	\$1,083,052

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 March 31,	
	2014	2013
REVENUES		
Interest income:		
Loans	\$20,229	\$27,812
Securities	4,004	3,642
Interest income – other	2,852	1,866
Total interest income	27,085	33,320
Interest expense	9,637	11,165
Net interest income	17,448	22,155
Rental income	5,152	6,174
Dividend income	136	16
Equity in net earnings (losses) of unconsolidated subsidiaries	2,014	(425)
Fee income	2,756	1,410
Net realized gain on sales of investment securities available-for-sale and loans	3,680	391
Net realized and unrealized (loss) gain on investment securities, trading	(1,560)) 1,116
Unrealized gain (loss) and net interest income on linked transactions, net	2,305	(259)
Total revenues	31,931	30,578
OPERATING EXPENSES		
Management fees – related party	3,080	2,978
Equity compensation – related party	1,667	3,591
Rental operating expense	3,396	3,937
General and administrative	8,105	3,481
Depreciation and amortization	836	1,138
Income tax expense	16	1,762
Net impairment losses recognized in earnings	—	21
(Benefit) provision for loan losses	(3,960)) 1,042
Total operating expenses	13,140	17,950
	18,791	12,628
OTHER REVENUE (EXPENSE)		
Loss on the extinguishment of debt	(69)) —
Other expense	(1,262)) —
Total other expense	(1,331)) —
NET INCOME	17,460	12,628
Net income allocated to preferred shares	(2,400)) (1,311)
Net loss allocable to non-controlling interest	56	209
NET INCOME ALLOCABLE TO COMMON SHARES	\$15,116	\$11,526
NET INCOME PER COMMON SHARE – BASIC	\$0.12	\$0.11
NET INCOME PER COMMON SHARE – DILUTED	\$0.12	\$0.11
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING –		
BASIC	125,616,537	104,224,083
	126,667,614	105,326,614

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING –
DILUTED

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	
	March 31,	
	2014	2013
Net income	\$ 17,460	\$ 12,628
Other comprehensive income:		
Reclassification adjustment for gains (losses) included in net income	1,465	(627)
Unrealized (losses) gains on available-for-sale securities, net	(1,754) 5,223
Reclassification adjustments associated with unrealized losses from interest rate hedges included in net income	70	55
Unrealized gains on derivatives, net	387	652
Foreign currency translation	(196) —
Total other comprehensive (loss) income	(28) 5,303
Comprehensive income before allocation to non-controlling interests	17,432	17,931
Allocation to non-controlling interests	56	209
Comprehensive income allocable to common shares	\$ 17,488	\$ 18,140

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
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(in thousands, except share and per share data)
(unaudited)

	Common Stock		Preferred		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount	Share Series A	Share - Series B							
Balance, January 1, 2014	127,918,927	\$ 128	\$ 1	\$ 3	\$ 1,042,480	\$ (14,043)	\$ —	\$(254,645)	\$ 773,924	\$ —	\$ 773,924
Proceeds from dividend reinvestment and stock purchase plan	18,666	—	—	—	111	—	—	—	111	—	111
Proceeds from issuance of preferred stock	—	—	—	1	16,113	—	—	—	16,114	—	16,114
Offering costs	—	—	—	—	(565)	—	—	—	(565)	—	(565)
Stock based compensation	640,387	1	—	—	—	—	—	—	1	—	1
Amortization of stock based compensation	—	—	—	—	—	—	—	—	—	—	—