

FALCON FINANCIAL INVESTMENT TRUST
Form 10-Q
May 17, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2004

FALCON FINANCIAL INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

Commission file number 000-50509

Maryland
(State or other jurisdiction of
incorporation or organization)

57-6208172
(I.R.S. Employer
Identification No.)

15 Commerce Road

Stamford, CT 06902

(Address of principal executive offices) (Zip code)

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203-967-0000

(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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

(Class)	(Outstanding as of May 17, 2004)
COMMON SHARES, \$0.01 PAR VALUE	15,985,800 SHARES

FALCON FINANCIAL INVESTMENT TRUST AND PREDECESSOR

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PART I. CONSOLIDATED FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****FALCON FINANCIAL INVESTMENT TRUST AND PREDECESSOR****Consolidated Statements of Financial Position**

	Company March 31, 2004 (unaudited)	Company December 31, 2003
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 32,612,892	\$ 25,645,578
Loans receivable, net of allowance for possible loan losses of \$1,318,368 and \$1,086,692, respectively	151,888,877	126,076,622
Retained interests in loan securitization	7,386,747	7,239,136
Due from broker	2,380,000	
Accrued interest receivable	1,003,182	994,821
Restricted cash	2,226,193	2,657,660
Property and equipment, net	427,775	335,860
Prepaid expenses and other assets	809,685	1,497,245
Total assets	\$ 198,735,351	\$ 164,446,922
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES :		
Borrowings	\$ 74,235,213	\$ 53,475,879
Accrued interest payable	171,366	255,707
Interest rate swap contracts	2,929,733	(389,783)
Customer deposits	61,325	140,276
Hold back of loan proceeds	2,226,193	2,657,660
Accounts payable and accrued liabilities	1,005,756	2,405,496
Total liabilities	80,629,586	58,545,235
COMMITMENTS AND CONTINGENCIES STOCKHOLDERS EQUITY:		
Preferred shares, \$0.01 par value, 50,000,000 authorized none issued and outstanding		
Common shares, \$0.01 par value, 100,000,000 authorized 15,985,800 and 14,105,800 issued and outstanding, respectively	159,858	141,058
Additional paid in capital	123,679,281	108,020,597

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Unearned compensation	(2,650,902)	(2,840,827)
Accumulated deficit	(1,637,116)	(1,090,858)
Accumulated other comprehensive income (loss)	(1,445,356)	1,671,717
Total stockholders' equity	118,105,765	105,901,687
Total liabilities and stockholders' equity	\$ 198,735,351	\$ 164,446,922

See accompanying notes to consolidated financial statements

FALCON FINANCIAL INVESTMENT TRUST AND PREDECESSOR

Consolidated Statements of Operations

(unaudited)

	Company Three Months Ended March 31, 2004	Predecessor Three Months Ended March 31, 2003
REVENUES:		
Interest income on loans.	\$ 2,948,798	\$ 1,647,017
Interest income on securities purchased under resale agreements - related party		22,732
Interest income from retained interests	304,474	355,893
Gain on sale of loans		10,696,524
Gain on sale of retained interests		265,352
Gain on securities sold, but not yet purchased - related party		1,081,269
Change in value of interest rate swap contracts	(65,483)	678,816
Income from loan servicing	112,580	97,842
Interest and other income	106,746	18,317
Total revenues.	3,407,115	14,863,762
EXPENSES:		
Interest expense on borrowings	436,354	187,487
Interest expense on borrowings - related party		672,542
Interest expense on securities sold, but not yet repurchased - related party		149,304
Provision for possible loan losses	231,676	
Facility fee expense	750,000	93,750
Salaries and benefits	1,414,219	867,440
Professional fees.	280,918	86,433
General and administrative	479,063	234,714
Advertising and promotion	330,974	241,238
Depreciation and amortization.	30,169	35,248
Total expenses	3,953,373	2,568,156
Net (loss) income	\$ (546,258)	\$ 12,295,606