

Resource Capital Corp.  
Form 10-Q  
August 08, 2008

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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, 2008

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  
(Address of principal executive  
offices)

10019  
(Zip code)

(Registrant's telephone number, including area code): 212-506-3870

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 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.

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Large accelerated filer	<input type="checkbox"/>		Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting Company)	Smaller reporting company	<input type="checkbox"/>

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, 2008 was 25,282,632 shares.

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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)

	June 30, 2008 (Unaudited)	December 31 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,255	\$ 6,029
Restricted cash	36,292	119,482
Investment securities available-for-sale, pledged as collateral, at fair value	47,074	65,464
Loans, pledged as collateral and net of allowances of \$20.3 million and \$5.9 million	1,798,504	1,766,639
Direct financing leases and notes, pledged as collateral and net of allowances of \$0.1 million and \$0.3 million and net of unearned income	92,104	95,030
Investments in unconsolidated entities	1,548	1,805
Interest receivable	9,112	11,965
Principal paydown receivables	60	836
Other assets	5,072	4,898
<b>Total assets</b>	<b>\$ 2,004,021</b>	<b>\$ 2,072,148</b>
<b>LIABILITIES</b>		
Borrowings	\$ 1,722,244	\$ 1,760,969
Distribution payable	10,440	10,366
Accrued interest expense	4,599	7,209
Derivatives, at fair value	12,833	18,040
Accounts payable and other liabilities	3,557	3,958
<b>Total liabilities</b>	<b>1,753,673</b>	<b>1,800,542</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; 25,282,632 and 25,103,532 shares issued and outstanding (including 491,195 and 581,493 unvested restricted shares)	25	25
Additional paid-in capital	355,969	355,205
Accumulated other comprehensive loss	(43,579)	(38,323)
Distributions in excess of earnings	(62,067)	(45,301)
<b>Total stockholders' equity</b>	<b>250,348</b>	<b>271,606</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,004,021</b>	<b>\$ 2,072,148</b>

The accompanying notes are an integral part of these statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>REVENUES</b>				
Loans	\$ 28,686	\$ 33,107	\$ 61,125	\$ 63,388
Securities	1,158	7,908	2,339	15,304
Leases	1,961	1,901	3,951	3,811
Interest income – other	453	910	1,826	1,311
Interest income	32,258	43,826	69,241	83,814
Interest expense	18,924	30,222	42,072	56,989
Net interest income	13,334	13,604	27,169	26,825
<b>OPERATING EXPENSES</b>				
Management fees – related party	1,171	2,027	2,909	4,059
Equity compensation – related party	541	137	622	623
Professional services	664	541	1,456	1,233
Insurance expenses	170	114	298	235
General and administrative	343	324	698	736
Income tax expense	138	26	167	171
Total expenses	3,027	3,169	6,150	7,057
<b>NET OPERATING INCOME</b>	<b>10,307</b>	<b>10,435</b>	<b>21,019</b>	<b>19,768</b>
<b>OTHER (EXPENSE) REVENUE</b>				
Net realized gains (losses) on investments	102	152	(1,893)	222
Asset impairments	–	(788)	–	(788)
Other income	26	37	59	73
Provision for loan and lease loss	(15,692)	–	(16,829)	–
Gain on the extinguishment of debt	–	–	1,750	–
Total other (expenses) revenues	(15,564)	(599)	(16,913)	(493)
<b>NET (LOSS) INCOME</b>	<b>\$ (5,257)</b>	<b>\$ 9,836</b>	<b>\$ 4,106</b>	<b>\$ 19,275</b>
<b>NET (LOSS) INCOME PER SHARE – BASIC</b>	<b>\$ (0.21)</b>	<b>\$ 0.40</b>	<b>\$ 0.17</b>	<b>\$ 0.78</b>
<b>NET (LOSS) INCOME PER SHARE – DILUTED</b>	<b>\$ (0.21)</b>	<b>\$ 0.39</b>	<b>\$ 0.16</b>	<b>\$ 0.77</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC</b>				
	24,721,063	24,704,471	24,665,840	24,569,694
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED</b>				
	24,721,063	24,944,162	24,922,340	24,891,686
<b>DIVIDENDS DECLARED PER SHARE</b>	<b>\$ 0.41</b>	<b>\$ 0.41</b>	<b>\$ 0.82</b>	<b>\$ 0.80</b>

The accompanying notes are an integral part of these statements

RESOURCE CAPITAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2008  
(in thousands, except share data)  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Distributions in Excess of Earnings	Treasury Shares	Total Stockholder Equity	Comprehensive Loss
	Shares	Amount							
Balance, January 1, 2008	25,103,532	\$ 25	\$ 357,976	\$ (38,323)	\$ -	\$ (45,301)	\$ (2,771)	\$ 271,606	
Retirement of treasury shares	-	-	(2,771)	-	-	-	2,771	-	
Stock based compensation	179,100	-	142	-	-	-	-	142	
Amortization of stock based compensation	-	-	622	-	-	-	-	622	
Net income	-	-	-	-	4,106	-	-	4,106	4,106
Available-for-sale, fair value adjustment	-	-	-	(6,342)	-	-	-	(6,342)	(6,342)
Designated derivatives, fair value adjustment	-	-	-	1,086	-	-	-	1,086	1,086
Distributions on common stock	-	-	-	-	(4,106)	(16,766)	-	(20,872)	
Comprehensive loss	-	-	-	-	-	-	-	-	\$ (1,150)
Balance, June 30, 2008	25,282,632	\$ 25	\$ 355,969	\$ (43,579)	\$ -	\$ (62,067)	\$ -	\$ 250,348	

The accompanying notes are an integral part of these statements

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

	Six Months Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 4,106	\$ 19,275
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	396	364
Amortization of net premium (discount) on investments	(483)	(341)
Amortization of discount on notes	84	7
Amortization of debt issuance costs	1,576	1,091
Amortization of stock based compensation	622	623
Non-cash incentive compensation to the Manager	141	551
Net realized losses (gains) on derivative instruments	56	(13)
Net realized losses on investments	1,893	566
Gain on the extinguishment of debt	(1,750)	-
Provision for loan and lease losses	16,828	-
Changes in operating assets and liabilities:		
Decrease (increase) in restricted cash	9,935	(8,579)
Decrease (increase) in interest receivable, net of purchased interest	2,843	(2,350)
Decrease in accounts receivables	188	-
Decrease (increase) in principal paydowns receivable	776	(4,092)
Decrease (increase) in management and incentive fee payable	(17)	8
Increase (decrease) in security deposits	120	(14)
Decrease in accounts payable and accrued liabilities	(493)	(789)
(Decrease) increase in accrued interest expense	(2,769)	1,372
Increase in other assets	(764)	(1,110)
Net cash provided by operating activities	33,288	6,569
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Restricted cash	73,255	(61,199)
Purchase of securities available-for-sale	-	(69,488)
Principal payments on securities available-for-sale	2,269	6,970
Proceeds from sale of securities available-for-sale	8,000	29,867
Distribution from unconsolidated entities	257	-
Purchase of loans	(131,498)	(1,069,897)
Principal payments received on loans	63,473	390,500
Proceeds from sales of loans	19,836	149,346
Purchase of direct financing leases and notes	(14,291)	(9,715)
Proceeds payments received on direct financing leases and notes	15,907	12,351
Proceeds from sale of direct financing leases and notes	1,174	3,320
Net cash provided by (used in) investing activities	38,382	(617,945)

(Continued)





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

Six Months Ended  
June 30,

2008