Resource Capital Corp.
Form 10-Q
May 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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	20-2287134
(State or other jurisdiction of incorporation or organization)	(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. R 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 R 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	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 R No

The number of outstanding shares of the registrant’s common stock on May 4, 2012 was 84,740,863 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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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 and per share data)

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	$37,562	$43,116
Restricted cash	136,211	142,806
Investment securities, trading	43,301	38,673
Investment securities available-for-sale, pledged as collateral, at fair value	174,834	153,366
Investment securities available-for-sale, at fair value	6,943	4,678
Property available-for-sale	1,934	2,980
Investment in real estate	47,694	48,027
Loans, pledged as collateral and net of allowances of $13.2 million and $27.5 million	1,763,674	1,772,063
Loans held for sale	7,515	3,154
Loans receivable–related party	9,429	9,497
Investments in unconsolidated entities	48,171	47,899
Dividend reinvestment plan proceeds receivable	8,000	–
Interest receivable	9,452	8,836
Deferred tax asset	626	626
Intangible assets	18,831	19,813
Other assets	4,249	4,093
Total assets	$2,318,426	$2,299,627
LIABILITIES		
Borrowings	$1,801,909	$1,808,986
Distribution payable	17,000	19,979
Accrued interest expense	5,265	3,260
Derivatives, at fair value	13,304	13,210
Accrued tax liability	5,478	12,567
Deferred tax liability	5,624	5,624
Accounts payable and other liabilities	7,086	6,311
Total liabilities	1,855,666	1,869,937
STOCKHOLDERS' EQUITY		
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; 84,717,745 and 79,877,516 shares issued and outstanding (including 1,656,273 and 1,428,931 unvested restricted shares)	85	80
Additional paid-in capital	684,721	659,700
Accumulated other comprehensive loss	(35,765)	(46,327)

Distributions in excess of earnings	(186,281)	(183,763)
Total stockholders' equity	462,760	429,690
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,318,426	$2,299,627

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 Month Ended March 31, 2012	Three Month Ended March 31, 2011
REVENUES		
Interest income:		
Loans	$23,615	$21,250
Securities	3,584	2,760
Interest income – other	2,829	1,219
Total interest income	30,028	25,229
Interest expense	8,443	6,933
Net interest income	21,585	18,296
Rental income	1,919	23
Dividend income	–	661
Fee income	1,862	1,646
Total revenues	25,366	20,626
OPERATING EXPENSES		
Management fees – related party	3,443	2,338
Equity compensation – related party	868	460
Professional services	1,352	919
Insurance	158	177
Rental operating expense	1,320	145
General and administrative	1,063	800
Depreciation and amortization	1,361	253
Income tax expense	2,615	1,809
Total operating expenses	12,180	6,901
	13,186	13,725
OTHER REVENUE (EXPENSE)		
Impairment losses on real property held for sale	(139)	–
Net realized gain on investment securities available-for-sale and loans	380	156
Net realized and unrealized gain on investment securities, trading	2,144	1,806
Provision for loan losses	(2,178)	(2,606)
Other income	1,088	61
Total other revenue (expense)	1,295	(583)
NET INCOME	$14,481	$13,142
NET INCOME PER SHARE – BASIC	$0.18	$0.22
NET INCOME PER SHARE – DILUTED	$0.18	$0.22
WEIGHTED AVERAGE NUMBER OF SHARES	81,201,791	60,147,820

OUTSTANDING – BASIC		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	81,892,987	60,397,630
DIVIDENDS DECLARED PER SHARE	$0.20	$0.25

The accompanying notes are an integral part of these statements

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net income	$14,481	$13,142
Other comprehensive income		
Unrealized gains on securities available-for-sale	10,599	4,874
Reclassification adjustments associated with unrealized losses (gains) from interest rate hedges included in net income	56	55
Unrealized losses on derivatives, net	(93)	1,283
Total other comprehensive income	10,562	6,212
Comprehensive income	$25,043	$19,354

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
THREE MONTHS ENDED MARCH 31, 2012
(in thousands, except share and per share data)
(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders' Equity
Balance, January 1, 2012	79,877,516	$ 80	$ 659,700	$ (46,327)	$ –	$ (183,763)	$ 429,690
Proceeds from dividend reinvestment and stock purchase plan	4,478,187	5	24,172	–	–	–	24,177
Offering costs	–	–	(19)	–	–	–	(19)
Stock based compensation	366,405	–	–	–	–	–	–
Amortization of stock based compensation	–	–	868	–	–	–	868
Forfeitures	(4,363)	–	–	–	–	–	–
Net income	–	–	–	–	14,481	–	14,481
Securities available-for-sale, fair value adjustment, net	–	–	–	10,599	–	–	10,599
Designated derivatives, fair value adjustment	–	–	–	(37)	–	–	(37)
Distributions on common stock	–	–	–	–	(14,481)	(2,518)	(16,999)
Balance, March 31, 2012	84,717,745	$ 85	$ 684,721	$ (35,765)	$ –	$ (186,281)	$ 462,760

The accompanying notes are an integral part of this statement

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$14,481	$13,142
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	2,178	2,606
Depreciation of real estate investments	380	–
Amortization of intangible assets	982	253
Amortization of term facilities	140	121
Accretion of net discounts on loans held for investment	(5,519)	(5,050)
Accretion of net discounts on securities available-for-sale	(861)	(1,016)
Accretion of net discounts on securities held-to-maturity	–	(118)
Amortization of discount on notes of CDOs	308	13
Amortization of debt issuance costs on notes of CDOs	927	760
Amortization of stock-based compensation	868	460
Amortization of terminated derivative instruments	56	55
Distribution to subordinated debt holder	1,584	–
Non-cash incentive compensation to the Manager	165	–
Purchase of securities, trading	(8,348)	(17,951)
Principal payments on securities, trading	833	41
Proceeds from sales of securities, trading	5,025	6,164
Net realized and unrealized gain on investment securities-trading	(2,144)	(1,927)
Net realized gains on investments	(380)	(35)
Net impairment losses recognized in earnings	139	–
Changes in operating assets and liabilities	(15,274)	17,815
Net cash (used in) provided by operating activities	(4,460)	15,333
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted cash	9,196	(4,053)
Purchase of securities available-for-sale	(16,660)	(33,010)
Principal payments on securities available-for-sale	5,595	1,515
Investment in unconsolidated entity	(136)	2
Improvement of real estate held-for-sale	474	–
Purchase of loans	(150,845)	(180,877)
Principal payments received on loans	116,848	143,917
Proceeds from sale of loans	40,120	33,648
Purchase of investments in real estate	(722)	–
Proceeds from sale of real estate	907	–
Purchase of intangible asset	–	(21,213)
Principal payments received on loans – related parties	69	238
Net cash provided by (used in) investing activities	4,846	(59,833)

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuances of common stock (net of offering costs of $0 and $1,151)	–	46,459
Net proceeds from dividend reinvestment and stock purchase plan (net of offering costs of $19 and $0)	24,158	30,160
Proceeds from borrowings:		
Repurchase agreements	8,948	15,109
Payments on borrowings:		
Collateralized debt obligations	(18,499)	–
Payment of debt issuance costs	(582)	(662)
Proceeds from CDO retained notes	14	–
Distributions paid on common stock	(19,979)	(14,555)
Net cash (used in) provided by financing activities	(5,940)	76,511
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,554)	32,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,116	29,488
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$37,562	$61,499
SUPPLEMENTAL DISCLOSURE:		
Interest expense paid in cash	$8,401	$8,228
Income taxes paid in cash	$10,103	$–

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012
(Unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Resource Capital Corp. and subsidiaries' (collectively the ''Company'') principal business activity is to purchase and manage a diversified portfolio of commercial real estate-related assets and commercial finance assets. The Company's investment activities are managed by Resource Capital Manager, Inc. (''Manager'') pursuant to a management agreement (the ''Management Agreement''). The Manager is a wholly-owned indirect subsidiary of Resource America, Inc. ("Resource America") (NASDAQ: REXI). The following subsidiaries are consolidated in the Company's financial statements:

RCC Real Estate, Inc. ("RCC Real Estate") holds real estate investments, including commercial real estate loans, commercial real estate-related securities and investments in real estate. RCC Real Estate owns 100% of the equity of the following variable interest entities ("VIEs"):

- Resource Real Estate Funding CDO 2006-1 ("RREF CDO 2006-1"), a Cayman Islands limited liability company and qualified real estate investment trust ("REIT") subsidiary ("QRS"). RREF CDO 2006-1 was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of commercial real estate loans and commercial mortgage-backed securities ("CMBS").

- Resource Real Estate Funding CDO 2007-1 ("RREF CDO 2007-1"), a Cayman Islands limited liability company and QRS. RREF CDO 2007-1 was established to complete a CDO issuance secured by a portfolio of commercial real estate loans, commercial mortgage-backed securities and property available-for-sale.

RCC Commercial, Inc. ("RCC Commercial") holds bank loan investments. RCC Commercial owns 100% of the equity of the following VIEs:

- Apidos CDO I, Ltd. ("Apidos CDO I"), a Cayman Islands limited liability company and taxable REIT subsidiary ("TRS"). Apidos CDO I was established to complete a CDO issuance secured by a portfolio of bank loans and asset-backed securities ("ABS").

- Apidos CDO III, Ltd. ("Apidos CDO III"), a Cayman Islands limited liability company and TRS. Apidos CDO III was established to complete a CDO issuance secured by a portfolio of bank loans and ABS.

RCC Commercial II, Inc. ("Commercial II") holds bank loan investments and commercial real estate-related securities. Commercial II owns 100% of the equity of the following VIE:

- Apidos Cinco CDO, Ltd. ("Apidos Cinco CDO"), a Cayman Islands limited liability company and TRS. Apidos Cinco CDO was established to complete a CDO issuance secured by a portfolio of bank loans and ABS.

Resource TRS, Inc. ("Resource TRS"), a TRS directly owned by the Company, holds the Company's equity investment in a leasing company and holds all of its investment securities, trading.

Resource TRS II, Inc. ("Resource TRS II"), a TRS directly owned by the Company, holds the Company's interests in bank loan CDOs not originated by the Company. Resource TRS II owns 100% of the equity of the following VIE:

- Resource Capital Asset Management (“RCAM”), a domestic limited liability company, is entitled to collect senior, subordinated, and incentive fees related to five CDO issuers to which it provides management services through Apidos Capital Management, a subsidiary of Resource America.

Resource TRS III, Inc. (“Resource TRS III”), a TRS directly owned by the Company, holds the Company’s interests in bank loan CDOs originated by the Company. Resource TRS III owns 43% of the equity of the following VIE:

- Apidos CLO VIII, Ltd (“Apidos CLO VIII”), a Cayman Islands limited liability company and TRS. Apidos CLO VIII was established to complete a CDO issuance secured by a portfolio of bank loans.

The consolidated financial statements and the information and tables contained in the notes to the consolidated financial statements are unaudited. However, in the opinion of management, these interim financial statements include all adjustments necessary to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011. The results of operations for the three months ended March 31, 2012 may not necessarily be indicative of the results of operations for the full year ending December 31, 2012.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2012
(Unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION – (Continued)

The Company has determined that it is the primary beneficiary of Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, RREF CDO 2006-1 and RREF CDO 2007-1 based among other things, on the related-party tiebreaker where it was determined that the Company was most closely associated to each VIE including but not limited to the existence of a principal-agency relationship where the Company is the principal. In its capacity as manager, the Company has supported one credit in one of its CRE CDOs as it went through a restructure in order to maximize the future cash flows. The Company has provided no other financial support to any other of its VIEs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company.

All inter-company transactions and balances have been eliminated.

Investment Securities

The Company classifies its investment portfolio as trading or available-for-sale. The Company, from time to time, may sell any of its investments due to changes in market conditions or in accordance with its investment strategy.

The Company's investment securities, trading are reported at fair value (see Note 17). To determine fair value, the Company uses dealer quotes or bids which are validated using an income approach utilizing appropriate prepayment, default, and recovery rates. Any changes in fair value are recorded in the Company's results of operations as net realized and unrealized gain (loss) on investment securities, trading.

The Company's investment securities available-for-sale are reported at fair value (see Note 17). To determine fair value, the Company uses a dealer quote, which typically will be the dealer who sold the Company the security. The Company has been advised that, in formulating their quotes, dealers may use recent trades in the particular security, if any, market activity in similar securities, if any, or internal valuation models. These quotes are non-binding. Based on how dealers develop their quotes, market liquidity and levels of trading, the Company categorizes these investments as either Level 2 or Level 3 in the fair value hierarchy. The Company evaluates the reasonableness of the quotes it receives by applying its own valuation models. If there is a material difference between a quote the Company receives and the value indicated by its valuation models, the Company will evaluate the difference. As part of that evaluation, the Company will discuss the difference with the dealer, who may revise its quote based upon these discussions. Alternatively, the Company may revise its valuation models.

On a quarterly basis, the Company evaluates its available-for-sale investments for other-than-temporary impairment. An available-for-sale investment is impaired when its fair value has declined below its amortized cost basis. An impairment is considered other-than-temporary when the amortized cost basis of the investment or some portion thereof will not be recovered. In addition, the Company's intent to sell as well as the likelihood that the Company will be required to sell the security before the recovery of the amortized cost basis is considered. Where credit quality is believed to be the cause of the other-than-temporary impairment, that component of the impairment is recognized as an impairment loss in the statement of operations. Where other market components are believed to be the cause of the impairment, that component of the impairment is recognized as other comprehensive loss.

Investment securities transactions are recorded on the trade date. Realized gains and losses on investment securities are determined on the specific identification method.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2012
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Investment Interest Income Recognition

Interest income on the Company's mortgage-backed and other asset-backed securities is accrued using the effective yield method based on the actual coupon rate and the outstanding principal amount of the underlying mortgages or other assets. Premiums and discounts are amortized or accreted into interest income over the lives of the securities also using the effective yield method, adjusted for the effects of estimated prepayments. For an investment purchased at par, the effective yield is the contractual interest rate on the investment. If the investment is purchased at a discount or at a premium, the effective yield is computed based on the contractual interest rate increased for the accretion of a purchase discount or decreased for the amortization of a purchase premium. The effective yield method requires the Company to make estimates of future prepayment rates for its investments that can be contractually prepaid before their contractual maturity date so that the purchase discount can be accreted, or the purchase premium can be amortized, over the estimated remaining life of the investment. The prepayment estimates that the Company uses directly impact the estimated remaining lives of its investments. Actual prepayment estimates are reviewed as of each quarter end or more frequently if the Company becomes aware of any material information that would lead it to believe that an adjustment is necessary. If prepayment estimates are incorrect, the amortization or accretion of premiums and discounts may have to be adjusted, which would have an impact on future income.

Allowance for Loan Loss

The Company maintains an allowance for loan loss. Loans held for investment are first individually evaluated for impairment so specific reserves can be applied. Loans for which a specific reserve is not applicable are then evaluated for impairment as a homogeneous pool of loans with substantially similar characteristics so that a general reserve can be established, if needed. The reviews are performed at least quarterly.

The Company considers a loan to be impaired if one of two conditions exists. The first condition is if, based on current information and events, management believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The second condition is if the loan is deemed to be a troubled-debt restructuring ("TDR") where a concession has been given to a borrower in financial difficulty. These TDRs may not have an associated specific loan loss allowance if the principal and interest amount is considered recoverable based on current market conditions, expected collateral performance and / or guarantees made by the borrowers.

When a loan is impaired under either of these two conditions, the allowance for loan losses is increased by the amount of the excess of the amortized cost basis of the loan over its fair value. Fair value may be determined based on the present value of estimated cash flows; on market price, if available; or on the fair value of the collateral less estimated disposition costs. When a loan, or a portion thereof, is considered uncollectible and pursuit of collection is not warranted, the Company will record a charge-off or write-down of the loan against the allowance for loan losses.

An impaired loan may remain on accrual status during the period in which the Company is pursuing repayment of the loan; however, the loan would be placed on non-accrual status at such time as (i) management believes that scheduled debt service payments will not be met within the coming 12 months; (ii) the loan becomes 90 days delinquent; (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment; or (iv) the net realizable value of the loan's underlying collateral approximates the Company's carrying value of such loan. While on non-accrual status, the Company recognizes interest income only when an actual payment is received.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2012
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Investments in Real Estate

Investments in real estate are carried net of accumulated depreciation. Costs directly related to the acquisition are expensed as incurred. Ordinary repairs and maintenance which are not reimbursed by the tenants are expensed as incurred. Costs related to the improvement of the real property are capitalized and depreciated over their useful life.

Acquisitions of real estate assets and any related intangible assets are recorded initially at fair value under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, "Business Combinations." The Company allocates the purchase price of its investments in real estate to land, building, site improvements, the value of in-place leases and the value of above or below market leases. The value allocated to above or below market leases is amortized over the remaining lease term as an adjustment to rental income. The Company amortizes the value allocated to in-place leases over the weighted average remaining lease term to depreciation and amortization expense. The Company depreciates real property using the straight-line method over the estimated useful lives of the assets as follows:

Category	Term
Building	25 – 40 years
Site improvements	Lesser of the remaining life of building or useful life

Long-Lived and Intangible Assets

Long-lived assets and certain identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. If impairment has occurred, the loss will be measured as the excess of the carrying amount of the asset over the fair value of the asset.

No impairment charges were recorded on the Company's investment in real estate or intangible assets during the three months ended March 31, 2012.

Recent Accounting Standards

In June 2011, the FASB issued guidance which changes the presentation of comprehensive income. It eliminates the option to present comprehensive income as part of the changes in stockholders' equity. In addition, it requires consecutive disclosure of comprehensive income either as part of the statement of net income or in a statement immediately following. Finally, the guidance requires disclosure on the face of the financial statements of any reclassifications between net income and other comprehensive income. The guidance is effective for fiscal years and periods within those years beginning after December 15, 2011. In December 2011, the FASB updated the guidance to defer the requirement related to the presentation of certain reclassification adjustments. Adoption required an additional statement to disclose the Company's comprehensive income, which is included with these financial statements.

In April 2011, the FASB issued guidance which revises the criteria for assessing effective control for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The determination of whether the transfer of a financial asset subject to a repurchase agreement is a sale is based, in part, on whether the entity maintains effective control over the financial asset. The amendments in this guidance will be effective for interim and annual reporting periods beginning on or after December 15, 2011, and will be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. Adoption had no impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2012
(Unaudited)

NOTE 3 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Non-cash investing activities include the following:		
Contribution of lease receivables and other assets	$–	$117,840
Conversion of equity in LEAF Receivables Funding 3 to preferred stock and warrants	$–	$(21,000)
Non-cash financing activities include the following:		
Distributions on common stock declared but not paid	$17,000	$17,590
Issuance of restricted stock	$366	$926
Contribution of equipment-backed securitized notes and other liability	$–	$(96,840)

NOTE 4 – INVESTMENT SECURITIES, TRADING

The following table summarizes the Company's structured notes and residential mortgage-backed securities ("RMBS") which are classified as investment securities, trading and carried at fair value (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012:				
Structured notes	$26,872	$8,450	$(1,234)	$34,088
RMBS	12,131	375	(3,293)	9,213
Total	$39,003	$8,825	$(4,527)	$43,301
December 31, 2011:				
Structured notes	$27,345	$6,098	$(1,890)	$31,553
RMBS	8,729	100	(1,709)	7,120
Total	$36,074	$6,198	$(3,599)	$38,673

The Company purchased two securities and sold one security during the three months ended March 31, 2012, for a gain of $221,000. The Company also had one position liquidate during the three months ended March 31, 2012 which resulted in a gain of $224,000. The Company held 27 investment securities, trading as of March 31, 2012 and December 31, 2011, respectively.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2012
(Unaudited)

NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following table summarizes the Company's investment securities including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

	Amortized Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012:				
CMBS	$173,186	$2,069	$(22,247)	$153,008
ABS	29,973	1,006	(2,233)	28,746
Other asset-backed	–	23	–	23
Total	$203,159	$3,098	$(24,480)	$181,777
December 31, 2011:				
CMBS	$161,512	$1,192	$(29,884)	$132,820
ABS	28,513	215	(3,527)	25,201
Other asset-backed	–	23	–	23
Total	$190,025	$1,430	$(33,411)	$158,044

(1) As of March 31, 2012 and December 31, 2011, $174.8 million and $153.4 million, respectively, of securities were pledged as collateral security under related financings.

The following table summarizes the estimated maturities of the Company's CMBS and ABS according to their estimated weighted average life classifications (in thousands, except percentages):

Weighted Average Life	Fair Value		Amortized Cost	Weighted Average Coupon
March 31, 2012:				
Less than one year	$ 57,116	(1)	$ 58,590	3.51%
Greater than one year and less than five years	91,078		108,366	4.59%
Greater than five years	31,719		33,503	3.33%
Greater than ten years	1,864		2,700	4.00%
Total	$ 181,777		$ 203,159	4.02%
December 31, 2011:				
Less than one year	$ 61,137	(2)	$ 65,485	2.73%
Greater than one year and less than five years	69,376		91,826	4.75%
Greater than five years	25,596		29,527	3.90%
Greater than ten years	1,935		3,187	3.84%
Total	$ 158,044		$ 190,025	3.82%

(1)

$537,000 of CMBS maturing in this category are collateralized by floating-rate loans and, as permitted under the CMBS terms, are expected to extend their maturities, because, beyond their contractual extensions which expired or will expire this year, the servicer may allow further extensions of the underlying floating rate loans. The Company expects that the remaining $55.8 million of CMBS will either be extended or be paid in full.

(2) $6.7 million of CMBS maturing in this category are collateralized by floating-rate loans and, as permitted under the CMBS terms, are expected to extend their maturities, because, beyond their contractual extensions which expired or will expire this year, the servicer may allow further extensions of the underlying floating rate loans. The Company expects that the remaining $53.5 million of CMBS will either be extended or be paid in full.

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NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

The contractual maturities of the CMBS investment securities available-for-sale range from April 2012 to July 2022. The contractual maturities of the ABS investment securities available-for-sale range from February 2013 to August 2022.

The following table shows the fair value and gross unrealized losses, aggregated by investment category and length of time, that those individual investment securities available-for-sale that have been in a continuous unrealized loss position (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2012:						
CMBS	$ 97,488	$ (12,469)	$ 18,400	$ (9,778)	$ 115,888	$ (22,247)
ABS	2,891	(177)	5,011	(2,056)	7,902	(2,233)
Total temporarily impaired securities	$ 100,379	$ (12,646)	$ 23,411	$ (11,834)	$ 123,790	$ (24,480)
December 31, 2011:						
CMBS	$ 99,974	$ (17,096)	$ 8,281	$ (12,788)	$ 108,255	$ (29,884)
ABS	13,583	(935)	4,473	(2,592)	18,056	(3,527)
Total temporarily impaired securities	$ 113,557	$ (18,031)	$ 12,754	$ (15,380)	$ 126,311	$ (33,411)

The Company held eleven and eight CMBS investment securities available-for-sale that have been in a loss position for more than 12 months as of March 31, 2012 and December 31, 2011, respectively. The Company held nine and seven ABS investment securities available-for-sale that have been in a loss position for more than 12 months as of March 31, 2012 and December 31, 2011, respectively. The unrealized losses in the above table are considered to be temporary impairments due to market factors and are not reflective of credit deterioration.

The determination of other-than-temporary impairment is a subjective process, and different judgments and assumptions could affect the timing of loss realization. The Company reviews its portfolios and makes other-than-temporary impairment determinations at least quarterly. The Company considers the following factors when determining if there is an other-than-temporary impairment on a security:

the length of time the market value has been less than amortized cost;

the severity of the impairment;

the expected loss of the security as generated by a third-party valuation model;

- original and current credit ratings from the rating agencies;
- underlying credit fundamentals of the collateral backing the securities;
- whether, based upon the Company's intent, it is more likely than not that the Company will sell the security before the recovery of the amortized cost basis; and
- third-party support for default, for recovery, prepayment speed and reinvestment price assumptions.

At March 31, 2012 and December 31, 2011, the Company held $153.0 million and $132.8 million, respectively, (net of net unrealized losses of $20.2 million and $28.7 million, respectively), of CMBS recorded at fair value. To determine fair value, the Company uses two methods, either a dealer quote or an internal valuation model, depending upon the current level of market activity (see Note 2). As of March 31, 2012 and December 31, 2011, $153.0 million and $123.9 million, respectively, of investment securities available-for-sale were valued using dealer quotes and $0 and $8.9 million, respectively, were valued using an internal valuation model.

At March 31, 2012 and December 31, 2011, the Company held $28.7 million and $25.2 million, respectively, (net of net unrealized losses of $1.2 million and $3.3 million), of ABS recorded at fair value (see Note 2). To determine their fair value, the Company uses dealer quotes.

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NOTE 5 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

During the three months ended March 31, 2012 and 2011, the Company did not recognize any other-than-temporary impairment on positions that supported the Company's CMBS investment. While the Company's securities classified as available-for-sale have declined in fair value on a net basis, the Company has concluded that the declines continue to be temporary and does not believe that any of its securities classified as available-for sale were other-than-temporarily impaired as of March 31, 2012 and 2011 that had not been previously classified as such. The Company performs an on-going review of third-party reports and updated financial data on the underlying properties in order to analyze current and projected security performance. Rating agency downgrades are considered with respect to the Company's income approach when determining other-than-than temporary impairment and, when inputs are stressed, the resulting projected cash flows reflect a full recovery of principal and interest indicating no impairment.

Changes in interest rates may also have an effect on the rate of mortgage principal prepayments and, as a result, prepayments on CMBS in the Company's investment portfolio. At March 31, 2012, the aggregate discount exceeded the aggregate premium on the Company's CMBS by approximately $12.4 million. At December 31, 2011, the aggregate discount exceeded the aggregate premium on the Company's CMBS by approximately $13.2 million. At March 31, 2012 and December 31, 2011, the discount on the Company's ABS portfolio was $3.8 million. There were no premiums on the Company's ABS investment portfolio.

NOTE 6 – INVESTMENTS IN REAL ESTATE

The table below summarizes the Company's investments in real estate (in thousands):

	As of March 31, 2012		As of December 31, 2011	
	Book Value	Number of Properties	Book Value	Number of Properties
Multi-family property	$ 38,577	2	$ 38,577	2
Office property	10,149	1	10,149	1
Subtotal	48,726		48,726	
Less: Accumulated depreciation	(1,032)		(699)	
Investments in real estate	$ 47,694		$ 48,027	

Acquisitions

During the three months ended March 31, 2012, the Company made no acquisitions. During the year ended December 31, 2011, the Company converted two loans it had originated to investments in real estate and acquired one real estate asset, summarized as follows:

On June 14, 2011, the Company converted a loan that it had originated to equity with a fair value of $22.4 million at acquisition. The loan was collateralized by a 400 unit multi-family property in Memphis, Tennessee. The property was 93.8% occupied at acquisition.

On June 24, 2011, the Company converted a loan that it had originated to equity with a fair value of $10.7 million at acquisition. The loan was collateralized by an office building in Pacific Palisades, California. The property was 60% occupied at acquisition.

On August 1, 2011, the Company, through its subsidiary RCC Real Estate, purchased Whispertree Apartments, a 504 multi-family property located in Houston, Texas, for $18.1 million, the fair value. The property was 95% occupied at acquisition. In conjunction with the purchase of this property, the Company entered into a mortgage in the amount of $13.6 million.

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NOTE 6 – INVESTMENTS IN REAL ESTATE – (Continued)

A summary of the aggregate estimated fair value of the assets and liabilities acquired on the respective dates of acquisition during the year ended December 31, 2011 are presented below (in thousands):

Description	Estimated Fair Value
Assets acquired:	
Investments in real estate	$ 48,683
Cash and cash equivalents	177
Restricted cash	2,360
Intangible assets	2,490
Other assets	391
Total assets acquired	54,101
Liabilities assumed:	
Accounts payable and other liabilities	673
Total liabilities assumed	673
Estimated fair value of net assets acquired	$ 53,428

The Company accounted for the acquisition of Whispertree Apartments as a business combination in accordance with FASB ASC Topic 805. In the fourth quarter of 2011, the Company obtained the final appraisal of the property. Based on the final appraisal, the Company adjusted the value of the land and the value of the building by $3.9 million, respectively, as of the acquisition date. Accordingly, these adjustments were recognized and are reflected in the consolidated financial statements as of March 31, 2012 and December 31, 2011.

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NOTE 7 – LOANS HELD FOR INVESTMENT

The following is a summary of the Company's loans (in thousands):

Loan Description	Principal	Unamortized (Discount) Premium (1)	Carrying Value (2)
March 31, 2012:			
Bank loans (3)	$ 1,183,524	$ (27,799)	$ 1,155,725
Commercial real estate loans:			
Whole loans	545,493	(1,143)	544,350
B notes	16,543	(136)	16,407
Mezzanine loans (3)	67,823	36	67,859
Total commercial real estate loans	629,859	(1,243)	628,616
Subtotal loans before allowances	1,813,383	(29,042)	1,784,341
Allowance for loan loss	(13,152)	–	(13,152)
Total	$ 1,800,231	$ (29,042)	$ 1,771,189
December 31, 2011:			
Bank loans (3)	$ 1,205,826	$ (32,073)	$ 1,173,753
Commercial real estate loans:			
Whole loans	545,828	(1,155)	544,673
B notes	16,579	(144)	16,435
Mezzanine loans (3)	67,842	32	67,874
Total commercial real estate loans	630,249	(1,267)	628,982
Subtotal loans before allowances	1,836,075	(33,340)	1,802,735
Allowance for loan loss	(27,518)	–	(27,518)
Total	$ 1,808,557	$ (33,340)	$ 1,775,217

(1) Amounts include deferred amendment fees of $353,000 and $286,000 and deferred upfront fee of $409,000 and $0 being amortized over the life of the bank loans and $109,000 and $123,000 being amortized over the life of the commercial real estate loans as of March 31, 2012 and December 31, 2011, respectively.
(2) Substantially all loans are pledged as collateral under various borrowings at March 31, 2012 and December 31, 2011, respectively.
(3) Amounts include $7.5 million and $3.2 million of bank loans held for sale at March 31, 2012 and December 31, 2011, respectively.

At March 31, 2012 and December 31, 2011, approximately 41.1% and 41.9%, respectively, of the Company's commercial real estate loan portfolio was concentrated in commercial real estate loans located in California; approximately 9.0% and 9.1%, respectively, in Arizona; and approximately 8.1% and 8.0% in Florida, respectively. At March 31, 2012 and December 31, 2011, approximately 13.9% and 13.9%, respectively, of the Company's bank loan portfolio was concentrated in the collective industry grouping of healthcare, education and childcare.

At March 31, 2012, the Company’s bank loan portfolio consisted of $1.2 billion (net of allowance of $5.1 million) of floating rate loans, which bear interest ranging between the London Interbank Offered Rate (“LIBOR”) plus 0.5% and LIBOR plus 10.0% with maturity dates ranging from October 2012 to September 2019. At December 31, 2011, the Company’s bank loan portfolio consisted of $1.2 billion (net of allowance of $3.3 million) of floating rate loans, which bear interest ranging between LIBOR plus 1.1% and LIBOR plus 10.6% with maturity dates ranging from March 2012 to September 2019.

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NOTE 7 – LOANS HELD FOR INVESTMENT – (Continued)

The following is a summary of the weighted average life of the Company's bank loans, at amortized cost (in thousands):

	March 31, 2012	December 31, 2011
Less than one year	$1,503	$1,968
Greater than one year and less than five years	721,265	684,376
Five years or greater	432,957	487,409
	$1,155,725	$1,173,753

The following is a summary of the Company's commercial real estate loans held for investment (in thousands):

Description	Quantity	Amortized Cost	Contracted Interest Rates	Maturity Dates (3)
March 31, 2012:				
Whole loans, floating rate (1) (4) (5)	34	$ 537,368	LIBOR plus 2.50% to LIBOR plus 5.75%	May 2012 to February 2019
Whole loans, fixed rate	1	6,982	10.00%	June 2012
B notes, fixed rate	1	16,407	8.68%	April 2016
Mezzanine loans, floating rate	3	53,915	LIBOR plus 2.50% to LIBOR plus 7.45%	May 2012 to December 2012
Mezzanine loans, fixed rate	2	13,944	8.99% to 11.00%	January 2016 to September 2016
Total (2)	41	$ 628,616		
December 31, 2011:				
Whole loans, floating rate (1) (4) (5)	32	$ 537,708	LIBOR plus 2.50% to LIBOR plus 5.75%	April 2012 to February 2019
Whole loans, fixed rate	1	6,965	10.00%	June 2012
B notes, fixed rate	1	16,435	8.68%	April 2016
Mezzanine loans, floating rate	3	53,908	LIBOR plus 2.50% to LIBOR plus 7.45%	May 2012 to December 2012
Mezzanine loans, fixed rate	2	13,966	8.99% to 11.00%	January 2016 to September 2016
Total (2)	39	$ 628,982		

(1) Whole loans had $6.8 million and $5.2 million in unfunded loan commitments as of March 31, 2012 and December 31, 2011, respectively. These commitments are funded as the borrowers require additional funding and have satisfied the requirements to obtain this additional funding.

(2)

The total does not include an allowance for loan loss of $8.1 million and $24.2 million as of March 31, 2012 and December 31, 2011, respectively.

(3) Maturity dates do not include possible extension options that may be available to the borrowers.

(4) Floating rate whole loans include a $2.0 million portion of a whole loan that has a fixed rate of 15.0% as of March 31, 2012 and December 31, 2011, respectively.

(5) Floating rate whole loans includes a $597,000 and $302,000 preferred equity tranche of a whole loan that has a fixed rate of 10.0% as of March 31, 2012 and December 31, 2011, respectively.

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NOTE 7 – LOANS HELD FOR INVESTMENT – (Continued)

The following is a summary of the weighted average life of the Company's commercial real estate loans, at amortized cost (in thousands):

Description	2012	2013	2014 and Thereafter	Total
March 31, 2012:				
B notes	$–	$–	$16,407	$16,407
Mezzanine loans	38,072	5,326	24,461	67,859
Whole loans	56,732	48,872	438,746	544,350
Total (1)	$94,804	$54,198	$479,614	$628,616
December 31, 2011:				
B notes	$–	$–	$16,435	$16,435
Mezzanine loans	38,072	5,319	24,483	67,874
Whole loans	97,327	3,250	444,096	544,673
Total (1)	$135,399	$8,569	$485,014	$628,982

(1) Weighted average life of commercial real estate loans assumes full exercise of extension options available to borrowers.

The following is a summary of the allocation of the allowance for loan loss with respect to the Company's commercial real estate and bank loans (in thousands, except percentages) by asset class:

Description	Allowance for Loan Loss	Percentage of Total Allowance
March 31, 2012:		
B notes	$ 243	1.85%
Mezzanine loans	1,696	12.91%
Whole loans	6,116	46.50%
Bank loans	5,097	38.74%
Total	$ 13,152	
December 31, 2011:		
B notes	$ 253	0.92%
Mezzanine loans	1,437	5.23%
Whole loans	22,531	81.87%
Bank loans	3,297	11.98%
Total	$ 27,518	

As of March 31, 2012, the Company had recorded an allowance for loan losses of $13.2 million consisting of a $5.1 million allowance on the Company's bank loan portfolio and a $8.1 million allowance on the Company's commercial real estate portfolio as a result of the impairment of three bank loans and one commercial real estate loan as well as the maintenance of a general reserve with respect to these portfolios. The whole loan allowance decreased $16.4 million from $22.5 million as of December 31, 2011 to $6.1 million as of March 31, 2012. This decrease is primarily the result of a CRE loan that restructured with a new borrow and new use for the underlying property.

As of December 31, 2011, the Company had recorded an allowance for loan losses of $27.5 million consisting of a $3.3 million allowance on the Company's bank loan portfolio and a $24.2 million allowance on the Company's commercial real estate portfolio as a result of the impairment of one bank loan and four commercial real estate loans as well as the maintenance of a general reserve with respect to these portfolios.

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NOTE 8 – INVESTMENTS IN UNCONSOLIDATED ENTITIES

On November 16, 2011, the Company together with LEAF Financial and LEAF Commercial Capital, Inc. ("LCC"), a commercial finance company specializing in equipment leasing formed in January 2011, subsidiaries of Resource America, entered into a stock purchase agreement and related agreements (collectively the "SPA") with Eos Partners, L.P., a private investment firm, and its affiliates ("Eos"). In exchange for its prior interest in LCC, the Company received 31,341 shares of Series A Preferred Stock, 4,872 shares of newly issued 8% Series B Redeemable Preferred Stock (the "Series B Preferred Stock") and 2,364 shares of newly issued Series D Redeemable Preferred Stock (the "Series D Preferred Stock"), collectively representing, on a fully-diluted basis assuming conversion, a 26.7% interest in LCC. The Company's investment in LCC was valued at $36.3 million based on a third-party valuation. Several approaches were used, including discounted expected cash flows, market approach and comparable sales transactions to estimate the fair value of its investment in LCC as a result of the transaction. These approaches required assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples, and discount rates, which were based on the current economic environment and credit market conditions. The Company recorded a loss of $2.2 million in conjunction with the transaction. The Company's resulting interest is accounted for under the equity method.

The Company has a 100% interest valued at $1.5 million in the common shares (3% of the total equity) in two trusts, Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"). The Company completed a qualitative analysis to determine whether or not it is the primary beneficiary of each of the trusts. The Company does not have the power to direct the activities of either trust, nor does it have the obligation to absorb losses or the right to receive benefits that could potentially be significant to these trusts. Therefore, the Company is not deemed to be the primary beneficiary of either trust and they are not consolidated into the Company's consolidated financial statements. The Company records its investments in RCT I and RCT II's common shares of $774,000 each as investments in unconsolidated trusts using the cost method and records dividend income upon declaration by RCT I and RCT II. For the three months ended March 31, 2012 and 2011, the Company recognized $631,000 and $882,000, respectively, of interest expense with respect to the subordinated debentures it issued to RCT I and RCT II which included $45,000 and $77,000, respectively, of amortization of deferred debt issuance costs. The Company will continuously reassess as to whether it should be deemed to be the primary beneficiary of the trusts.

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NOTE 9 –FINANCING RECEIVABLES

The following tables show the allowance for loan losses and recorded investments in loans for the years indicated (in thousands):

	Commercial Real Estate Loans	Bank Loans	Lease Receivables	Loans Receivable-Related Party	Total
March 31, 2012:					
Allowance for losses at January 1, 2012	$ 24,221	$ 3,297	$ –	$ –	$ 27,518
Provision for loan loss	349	1,829	–	–	2,178
Loans charged-off	(16,515)	(29)	–	–	(16,544)
Recoveries	–	–	–	–	–
Allowance for losses at March 31, 2012	$ 8,055	$ 5,097	$ –	$ –	$ 13,152
Ending balance:					
Individually evaluated for impairment	$ 600	$ 2,499	$ –	$ –	$ 3,099
Collectively evaluated for impairment	$ 7,455	$ 2,598	$ –	$ –	$ 10,053
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					
Individually evaluated for impairment	$ 97,587	$ 5,627	$ –	$ 9,429	$ 112,643
Collectively evaluated for impairment	$ 531,029	$ 1,150,098	$ –	$ –	$ 1,681,127
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
December 31, 2011:					
Allowance for losses at January 1, 2011	$ 31,617	$ 2,616	$ 70	$ –	$ 34,303
Provision for loan loss	6,478	7,418	–	–	13,896
Loans charged-off	(13,874)	(6,737)	(70)	–	(20,681)
Recoveries	–	–	–	–	–
Allowance for losses at December 31, 2011	$ 24,221	$ 3,297	$ –	$ –	$ 27,518
Ending balance:					
Individually evaluated for impairment	$ 17,065	$ 1,593	$ –	$ –	$ 18,658
Collectively evaluated for impairment	$ 7,156	$ 1,704	$ –	$ –	$ 8,860
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –
Loans:					
Ending balance:					

Individually evaluated for impairment	$ 113,038	$ 2,693	$ –	$ 9,497	$ 125,228
Collectively evaluated for impairment	$ 515,944	$ 1,171,060	$ –	$ –	$ 1,687,004
Loans acquired with deteriorated credit quality	$ –	$ –	$ –	$ –	$ –

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Credit quality indicators

Bank Loans

The Company uses a risk grading matrix to assign grades to bank loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. The Company also designates loans that are sold after the period end at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. The Company considers such things as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies, and industry dynamics in grading its bank loans.

Credit risk profiles of bank loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of March 31, 2012:							
Bank loans	$ 1,071,404	$ 15,161	$ 47,387	$ 8,631	$ 5,627	$ 7,515	$ 1,155,725
As of December 31, 2011:							
Bank loans	$ 1,076,298	$ 19,739	$ 60,329	$ 11,540	$ 2,693	$ 3,154	$ 1,173,753

All of the Company's bank loans are performing with the exception of three loans with a total carrying amount of $5.6 million as of March 31, 2012, two of which defaulted on March 31, 2012 and one of which defaulted on December 30, 2011.

Commercial Real Estate Loans

The Company uses a risk grading matrix to assign grades to commercial real estate loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-4 with 1 representing the Company's highest rating and 4 representing its lowest rating. The Company designates loans that are sold after the period end at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. In addition to the underlying performance of the loan collateral, the Company considers such things as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms in grading its commercial real estate loans.

Credit risk profiles of commercial real estate loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Held for Sale	Total

As of March 31, 2012:						
Whole loans	$376,395	$69,960	$97,995	$–	$–	$544,350
B notes	16,407	–	–	–	–	16,407
Mezzanine loans	23,342	–	44,517	–	–	67,859
	$416,144	$69,960	$142,512	$–	$–	$628,616
As of December 31, 2011:						
Whole loans	$329,085	$87,598	$90,225	$37,765	$–	$544,673
B notes	16,435	–	–	–	–	16,435
Mezzanine loans	23,347	–	44,527	–	–	67,874
	$368,867	$87,598	$134,752	$37,765	$–	$628,982

All of the Company’s commercial real estate loans are performing as of March 31, 2012 and December 31, 2011.

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Loan Portfolios Aging Analysis

The following table shows the loan portfolio aging analysis as of the dates indicated at cost basis (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
March 31, 2012:							
Whole loans	$–	$–	$–	$–	$544,350	$544,350	$–
B notes	–	–	–	–	16,407	16,407	–
Mezzanine loans	–	–	–	–	67,859	67,859	–
Bank loans	–	–	2,693	2,693	1,153,032	1,155,725	–
Loans receivable-related party	–	–	–	–	9,429	9,429	–
Total loans	$–	$–	$2,693	$2,693	$1,791,077	$1,793,770	$–
December 31, 2011:							
Whole loans	$–	$–	$–	$–	$544,673	$544,673	$–
B notes	–	–	–	–	16,435	16,435	–
Mezzanine loans	–	–	–	–	67,874	67,874	–
Bank loans	–	–	–	–	1,173,753	1,173,753	–
Loans receivable-related party	–	–	–	–	9,497	9,497	–
Total loans	$–	$–	$–	$–	$1,812,232	$1,812,232	$–

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Impaired Loans

The following tables show impaired loans indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
March 31, 2012:					
Loans without a specific valuation allowance:					
Whole loans	$96,987	$96,987	$–	$103,298	$4,700
B notes	$–	$–	$–	$–	$–
Mezzanine loans	$–	$–	$–	$–	$–
Bank loans	$–	$–	$–	$–	$–
Loans with a specific valuation allowance:					
Whole loans	$600	$600	$(600)	$8,597	$–
B notes	$–	$–	$–	$–	$–
Mezzanine loans	$–	$–	$–	$–	$–
Bank loans	$5,627	$5,627	$(2,499)	$–	$–
Total:					
Whole loans	$97,587	$97,587	$(600)	$111,895	$4,700
B notes	–	–	–	–	–
Mezzanine loans	–	–	–	–	–
Bank loans	5,627	5,627	(2,499)	–	–
	$103,214	$103,214	$(3,099)	$111,895	$4,700
December 31, 2011:					
Loans without a specific valuation allowance:					
Whole loans	$75,273	$75,273	$–	$75,263	$2,682
B notes	$–	$–	$–	$–	$–
Mezzanine loans	$–	$–	$–	$–	$–
Bank loans	$–	$–	$–	$–	$–
Loans with a specific valuation allowance:					
Whole loans	$37,765	$37,765	$(17,065)	$36,608	$920
B notes	$–	$–	$–	$–	$–
Mezzanine loans	$–	$–	$–	$–	$–
Bank loans	$2,693	$2,693	$(1,593)	$2,693	$–
Total:					
Whole loans	$113,038	$113,038	$(17,065)	$111,871	$3,602
B notes	–	–	–	–	–

Mezzanine loans	–	–	–	–	–
Bank loans	2,693	2,693	(1,593)	2,693	–
	$115,731	$115,731	$(18,658)	$114,564	$3,602

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NOTE 9 –FINANCING RECEIVABLES – (Continued)

Troubled- Debt Restructurings

The following tables show the loan portfolio troubled-debt restructurings (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
March 31, 2012:			
Whole loans	4	$ 133,955	$ 115,894
B notes	–	–	–
Mezzanine loans	–	–	–
Bank loans	–	–	–
Loans receivable - related party	1	7,797	7,797
Total loans	5	$ 141,752	$ 123,691
March 31, 2011:			
Whole loans	–	$ –	$ –
B notes	–	–	–
Mezzanine loans	–	–	–
Bank loans	–	–	–
Loans receivable - related party	–	–	–
Total loans	–	$ –	$ –

As of March 31, 2012 and December 31, 2011, there were no troubled-debt restructurings that subsequently defaulted.

NOTE 10 – INTANGIBLE ASSETS

Intangible assets represent identifiable intangible assets acquired as a result of the Company's acquisition of RCAM in February 2011, its conversion of loans to investments in real estate in June 2011, and the acquisition of real estate in August 2011. The Company amortizes identified intangible assets to expense over their estimated lives or period of benefit using the straight-line method. The Company evaluates intangible assets for impairment as events and circumstances change. The Company expects to record amortization expense on intangible assets of approximately $3.3 million for the year ended December 31, 2012, $2.7 million for the year ended December 31, 2013, $2.6 million for the years ended December 31, 2014 and 2015, and $2.5 million for the year ended December 31, 2016. The weighted average amortization period is eight years at March 31, 2012 and the accumulated amortization at March 31, 2012 was $4.9 million.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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NOTE 10– INTANGIBLE ASSETS – (Continued)

The following table summarizes intangible assets at March 31, 2012 and December 31, 2011 (in thousands).

	Beginning Balance	Accumulated Amortization	Net Asset
March 31, 2012:			
Investment in RCAM	$ 21,213	$ (2,893)	$ 18,320
Investments in real estate:			
In-place leases	2,461	(1,954)	507
Above (below) market leases	29	(25)	4
	2,490	(1,979)	511
Total intangible assets	$ 23,703	$ (4,872)	$ 18,831
December 31, 2011:			
Investment in RCAM	$ 21,213	$ (2,237)	$ 18,976
Investments in real estate:			
In-place leases	2,461	(1,634)	827
Above (below) market leases	29	(19)	10
	2,490	(1,653)	837
Total intangible assets	$ 23,703	$ (3,890)	$ 19,813

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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NOTE 11 – BORROWINGS

The Company historically has financed the acquisition of its investments, including investment securities, loans and lease receivables, through the use of secured and unsecured borrowings in the form of CDOs, securitized notes, repurchase agreements, secured term facilities, warehouse facilities and trust preferred securities issuances. Certain information with respect to the Company's borrowings at March 31, 2012 and December 31, 2011 is summarized in the following table (in thousands, except percentages):

	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
March 31, 2012:				
RREF CDO 2006-1 Senior Notes (1)	$ 157,893	1.39%	34.4 years	$ 264,641
RREF CDO 2007-1 Senior Notes (2)	316,084	0.80%	34.5 years	430,120
Apidos CDO I Senior Notes (3)	296,643	1.15%	5.3 years	304,580
Apidos CDO III Senior Notes (4)	261,341	0.93%	8.2 years	267,787
Apidos Cinco CDO Senior Notes (5)	320,106	1.01%	8.1 years	337,071
Apidos CLO VIII Senior Notes (6)	298,732	2.42%	9.6 years	344,333
Apidos CLO VIII Securitized Borrowings (10)	23,047	–%		