Resource Capital Corp.
Form 10-K
March 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
o 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.)

717 Fifth Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 212-621-3210

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.001 par value	New York Stock Exchange
8.25% Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange
8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No R
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No R
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 R 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
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 þ
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 aggregate market value of the voting common equity held by non-affiliates of the registrant, based on the closing price of such stock on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2017) was approximately $296,374,661.

The number of outstanding shares of the registrant's common stock on March 9, 2018 was 31,653,426 shares.

(Back to Index)

RESOURCE CAPITAL CORP. AND SUBSIDIARIES
INDEX TO ANNUAL REPORT
ON FORM 10-K

(Back to Index)

(Back to Index)

FORWARD-LOOKING STATEMENTS

In this annual report on Form 10-K, references to "Company," "we," "us," or "our" refer to Resource Capital Corp. and its subsidiaries; references to the Company's "Manager" refer to Resource Capital Manager, Inc., an indirect wholly-owned subsidiary of C-III Capital Partners LLC, unless specifically stated otherwise or the context otherwise indicates. This report contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate", "believe", "could", "estimate", "expects", "intend", "may", "plan", "potential", "project", "should", "will" and "would" or the negative of these terms or other comparable terminology.

Forward-looking statements contained in this report are based on our beliefs, assumptions and expectations regarding our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Forward-looking statements we make in this report are subject to various risks and uncertainties that could cause actual results to vary from our forward-looking statements, including:

- the factors described in this report, including those set forth under the sections captioned "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations";
- changes in our industry, interest rates, the debt securities markets, real estate markets or the general economy;
- increased rates of default and/or decreased recovery rates on our investments;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in governmental regulations, tax rates and similar matters;
- changes in our business strategy;
- availability of investment opportunities in commercial real estate-related and commercial finance assets;
- the degree and nature of our competition;
- the adequacy of our cash reserves and working capital; and
- the timing of cash flows, if any, from our investments.

We caution you not to place undue reliance on these forward-looking statements which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events.

(Back to Index)

(Back to Index)

PART I

ITEM I . BUSINESS

General

We are a Maryland corporation and a real estate finance company that is organized and conducts our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes under Subchapter M of the Internal Revenue Code of 1986, as amended. Our investment strategy is primarily focused on originating, holding and managing commercial mortgage loans and commercial real estate-related debt investments.

Our objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategies. We finance a substantial portion of our portfolio investments through borrowing strategies seeking to match the maturities and repricing dates of our financings with the maturities and repricing dates of those financed investments, and we seek to mitigate interest rate and foreign currency risk through derivative investments.

Our investment strategy targets the following core asset class:

CRE/Core Asset Class	Principal Investments
Commercial real estate-related assets	First mortgage loans, which we refer to as whole loans;
	First priority interests in first mortgage loans, which we refer to as A notes; Subordinated interests in first mortgage loans, which we refer to as B notes; Mezzanine debt that is senior to the borrower's equity position but subordinated to other third-party debt; and Commercial mortgage-backed securities, which we refer to as CMBS.

In November 2016, we received approval from our board of directors to execute a strategic plan, or the Plan, to focus our strategy on commercial real estate, or CRE, debt investments. The Plan contemplates disposing of certain Legacy CRE debt investments, exiting underperforming non-core asset classes and investments, collectively, the "Identified Assets," and establishing a dividend policy based on sustainable earnings. Legacy CRE loans are loans underwritten prior to 2010, or Legacy CRE loans. The non-core asset classes in which we have historically invested are described in the following table of non-core asset classes:

Non-Core Asset Classes	Principal Investments
Residential real estate-related assets	Residential mortgage loans; and
	Residential mortgage-backed securities, which we refer to as RMBS, which comprise our available-for-sale portfolio.
Commercial finance assets	Middle market secured corporate loans and preferred equity investments;
	Asset-backed securities, which we refer to as ABS, backed by senior secured corporate loans; Debt tranches of collateralized debt obligations and collateralized loan obligations, which we refer to as CDOs and CLOs, respectively, and sometimes, collectively, as CDOs; Structured note investments, which comprise our trading securities portfolio; Syndicated corporate loans; and Preferred equity investment in a commercial leasing enterprise that originates and holds small- and middle-ticket commercial direct financing leases and notes.

We are externally managed by Resource Capital Manager, Inc., or our Manager, an indirect wholly-owned subsidiary of C-III Capital Partners LLC, or C-III, a leading CRE services company engaged in a broad range of activities. Our Manager draws upon C-III and its subsidiaries and its collective investment experience to provide its services. With respect to the strategic plan, two non-core segments: (i) residential mortgage loans and RMBS and (ii) middle market secured corporate loans and preferred equity investments, have been reclassified as held for sale and are considered discontinued operations at December 31, 2017 and 2016.

(Back to Index)

(Back to Index)

We began to implement the Plan during the fourth quarter of 2016. The following table delineates the disposable investments by business segment and details the current net book value of each included in the Plan (in millions):

	Identified Assets at Plan Inception	Impairments/Adjustments on Non-Monetized Assets (1)(2)		Impairments/Adjustments on Monetized Assets (1)		Monetized through December 31, 2017 (3)		Net Book Value at December 31, 2017 (3)
Discops and AHFS								
Legacy CRE Loans (4)	$ 194.7	$ (13.8	)	$ (11.7	)	$ (107.4	)	$ 61.8
Middle Market Loans	73.8	(18.3	)	0.3		(26.4	)	29.4
Residential Mortgage Lending Segment (5)	56.6	(1.2	)	(9.6	)	(45.1	)	0.7
Other AHFS	5.9	2.5		1.6		(3.4	)	6.6
Subtotal - Discops and AHFS	$ 331.0	$ (30.8	)	$ (19.4	)	$ (182.3	)	$ 98.5
Investments in Unconsolidated Entities	$ 86.6	$ (1.9	)	$ 40.1		$ (119.4	)	5.4
Commercial Finance Assets (6)	62.5	(0.3	)	0.4		(62.3	)	0.3
Total	$ 480.1	$ (33.0	)	$ 21.1		$ (364.0	)	$ 104.2

(1) Reflects adjustments as a result of the designation as assets held for sale or discontinued operations, which occurred during the third and fourth quarters of 2016 except as noted in (2) below.

(2) The impairment adjustment to middle market loans includes $5.4 million of fair value adjustments that occurred prior to the inception of the Plan.

(3) Investments in unconsolidated entities include a pro forma adjustment for a $5.1 million distribution from Pelium Capital, L.P. received in January 2018.

(4) Legacy CRE Loans includes $118.2 million par value of loans at the inception of the Plan that were not reflected on the consolidated balance sheets until our investment in Resource Real Estate Funding CDO 2007-1, Ltd. was liquidated in November 2016.

(5) Includes $1.1 million of cash and cash equivalents not classified as assets held for sale in the Residential Mortgage Lending segment at December 31, 2017.

(6) Commercial Finance assets decreased by $2.3 million related to the reclassification of certain assets to other assets on the consolidated balance sheets.

We have deployed the incremental capital received primarily into our CRE lending business and CMBS investments. During 2017 and 2016, we originated 40 new CRE loans totaling $797.0 million. During the year ended December 31, 2017, we reinvested proceeds into CMBS with a face value of $212.0 million. Certain of these investments are financed through our CRE and CMBS term facilities and, in