

Edgar Filing: Exantas Capital Corp. - Form 10-Q

Exantas Capital Corp.  
Form 10-Q  
August 08, 2018

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, 2018

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

EXANTAS CAPITAL CORP.

(Exact name of registrant as specified in its charter)

Maryland 20-2287134

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

717 Fifth Avenue, New York, New York 10022

(Address of principal executive offices) (Zip  
Code)

(212) 621-3210

(Registrant's telephone number, including area  
code)

Resource Capital Corp.

(Former name, former address and former fiscal  
year, if changed since last report)

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth 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

Emerging growth company

Edgar Filing: Exantas Capital Corp. - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

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 3, 2018 was 31,657,420 shares.

---

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES  
 INDEX TO QUARTERLY REPORT  
 ON FORM 10-Q

	PAGE
PART I	
Item 1: <a href="#">Financial Statements</a>	
<a href="#">Consolidated Balance Sheets - June 30, 2018 (unaudited) and December 31, 2017</a>	3
<a href="#">Consolidated Statements of Operations (unaudited) Three and Six Months Ended June 30, 2018 and 2017</a>	5
<a href="#">Consolidated Statements of Comprehensive Income (Loss) (unaudited) Three and Six Months Ended June 30, 2018 and 2017</a>	7
<a href="#">Consolidated Statement of Changes in Stockholders' Equity (unaudited) Six Months Ended June 30, 2018</a>	8
<a href="#">Consolidated Statements of Cash Flows (unaudited) Six Months Ended June 30, 2018 and 2017</a>	9
<a href="#">Notes to Consolidated Financial Statements - June 30, 2018 (unaudited)</a>	11
Item 2: <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	51
Item 3: <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	91
Item 4: <a href="#">Controls and Procedures</a>	92
PART II	
Item 1: <a href="#">Legal Proceedings</a>	93
Item 1A: <a href="#">Risk Factors</a>	95
Item 6: <a href="#">Exhibits</a>	95
<a href="#">SIGNATURES</a>	98

[\(Back to Index\)](#)

---

[\(Back to Index\)](#)

## PART I

## ITEM 1. FINANCIAL STATEMENTS

## EXANTAS CAPITAL CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2018 (unaudited)	December 31, 2017
<b>ASSETS <sup>(1)</sup></b>		
Cash and cash equivalents	\$80,191	\$ 181,490
Restricted cash	10,070	22,874
Accrued interest receivable	7,157	6,859
CRE loans, net of allowances of \$4,529 and \$5,328	1,446,018	1,284,822
Investment securities available-for-sale	318,424	211,737
Investment securities, trading	—	178
Loans held for sale	—	13
Principal paydowns receivable	—	76,129
Investments in unconsolidated entities	1,782	12,051
Derivatives, at fair value	2,273	602
Direct financing leases, net of allowances of \$735	66	151
Other assets	5,225	7,451
Assets held for sale (amounts include \$18,000 and \$61,841 of legacy CRE loans held for sale in continuing operations, see Note 21)	20,956	107,718
<b>Total assets</b>	<b>\$1,892,162</b>	<b>\$ 1,912,075</b>
<b>LIABILITIES <sup>(2)</sup></b>		
Accounts payable and other liabilities	\$3,335	\$ 5,153
Management fee payable	938	1,035
Accrued interest payable	4,736	4,387
Borrowings	1,319,646	1,163,485
Distributions payable	4,891	5,581
Preferred stock redemption liability	—	50,000
Derivatives, at fair value	67	76
Accrued tax liability	241	540
Liabilities held for sale (see Note 21)	2,421	10,342
<b>Total liabilities</b>	<b>1,336,275</b>	<b>1,240,599</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.25% Series B Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 0 and 4,613,596 shares issued and outstanding	—	5
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,800,000 and 4,800,000 shares issued and outstanding	5	5
Common stock, par value \$0.001: 125,000,000 shares authorized; 31,657,420 and 31,429,892 shares issued and outstanding (including 427,591 and 483,073 unvested restricted shares)	32	31
Additional paid-in capital	1,081,586	1,187,911
Accumulated other comprehensive income	3,216	1,297
Distributions in excess of earnings	(528,952 )	(517,773 )
<b>Total stockholders' equity</b>	<b>555,887</b>	<b>671,476</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,892,162	\$ 1,912,075
--	-------------	--------------

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

3

---

[\(Back to Index\)](#)

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

	June 30, 2018	December 31, 2017
	(unaudited)	
(1) Assets of consolidated variable interest entities ("VIEs") included in total assets above:		
Restricted cash	\$9,245	\$ 20,846
Accrued interest receivable	2,738	3,347
CRE loans, pledged as collateral and net of allowances of \$1,480 and \$1,330	1,012,900	603,110
Loans held for sale	—	13
Principal paydowns receivable	—	72,207
Other assets	276	73
Total assets of consolidated VIEs	\$1,025,159	\$ 699,596
(2) Liabilities of consolidated VIEs included in total liabilities above:		
Accounts payable and other liabilities	\$119	\$ 96
Accrued interest payable	485	592
Borrowings	632,004	416,655
Total liabilities of consolidated VIEs	\$632,608	\$ 417,343

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

[\(Back to Index\)](#)EXANTAS CAPITAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS(in thousands, except share and per share data)  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>REVENUES</b>				
Interest income:				
CRE loans	\$25,435	\$21,841	\$47,818	\$43,374
Securities	4,205	1,329	7,661	3,637
Other	20	465	138	2,095
Total interest income	29,660	23,635	55,617	49,106
Interest expense	16,159	14,347	30,543	28,601
Net interest income	13,501	9,288	25,074	20,505
Other revenue	152	964	57	1,892
Total revenues	13,653	10,252	25,131	22,397
<b>OPERATING EXPENSES</b>				
Management fees	2,812	2,638	5,625	5,318
Equity compensation	659	734	1,626	1,522
General and administrative	2,547	3,580	5,607	7,443
Depreciation and amortization	19	32	32	100
Impairment losses	—	—	—	177
Provision for (recovery of) loan and lease losses, net	—	131	(799)	1,130
Total operating expenses	6,037	7,115	12,091	15,690
	7,616	3,137	13,040	6,707
<b>OTHER INCOME (EXPENSE)</b>				
Equity in earnings (losses) of unconsolidated entities	69	(118)	(223)	243
Net realized and unrealized gain on investment securities available-for-sale and loans and derivatives	932	9,478	290	17,084
Net realized and unrealized gain (loss) on investment securities, trading	58	(50)	53	(961)
Fair value adjustments on financial assets held for sale	9	79	(4,656)	58
Other income	506	17	517	85
Total other income (expense)	1,574	9,406	(4,019)	16,509
<b>INCOME FROM CONTINUING OPERATIONS BEFORE TAXES</b>				
Income tax (expense) benefit	(1)	25	31	(1,474)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>9,189</b>	<b>12,568</b>	<b>9,052</b>	<b>21,742</b>
<b>NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<b>(450)</b>	<b>(4,184)</b>	<b>(203)</b>	<b>(4,745)</b>
<b>NET INCOME</b>	<b>8,739</b>	<b>8,384</b>	<b>8,849</b>	<b>16,997</b>
Net income allocated to preferred shares	(2,587)	(6,015)	(7,797)	(12,029)
Consideration paid in excess of carrying value of preferred shares	—	—	(7,482)	—
Net loss allocable to non-controlling interest, net of taxes	—	95	—	196
<b>NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES</b>	<b>\$6,152</b>	<b>\$2,464</b>	<b>\$(6,430)</b>	<b>\$5,164</b>

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

5

---



[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)  
 (in thousands, except share and per share data)  
 (unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
NET INCOME (LOSS) PER COMMON SHARE - BASIC:				
CONTINUING OPERATIONS	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
DISCONTINUED OPERATIONS	\$(0.01)	\$(0.14 )	\$(0.01)	\$(0.15 )
TOTAL NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
NET INCOME (LOSS) PER COMMON SHARE - DILUTED:				
CONTINUING OPERATIONS	\$0.21	\$ 0.22	\$(0.20)	\$ 0.32
DISCONTINUED OPERATIONS	\$(0.01)	\$(0.14 )	\$(0.01)	\$(0.15 )
TOTAL NET INCOME (LOSS) PER COMMON SHARE - DILUTED	\$0.20	\$ 0.08	\$(0.21)	\$ 0.17
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	31,215,598	30,820,442	31,163,830	30,786,527
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	31,402,010	30,020,926	31,163,830	30,967,840

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

[\(Back to Index\)](#)EXANTAS CAPITAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$8,739	\$8,384	\$8,849	\$16,997
Other comprehensive income (loss):				
Reclassification adjustments for realized (income) losses on investment securities available-for-sale included in net income	—	(1,179 )	217	(1,179 )
Unrealized gains (losses) on investment securities available-for-sale, net	1,607	(1,628 )	98	(1,494 )
Reclassification adjustments associated with unrealized losses from interest rate hedges included in net income	—	75	—	93
Unrealized gains on derivatives, net	455	—	1,604	—
Total other comprehensive (loss) income	2,062	(2,732 )	1,919	(2,580 )
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	10,801	5,652	10,768	14,417
Net income allocated to preferred shares	(2,587 )	(6,015 )	(7,797 )	(12,029 )
Consideration paid in excess of carrying value of preferred shares	—	—	(7,482 )	—
Net loss allocable to non-controlling interest	—	95	—	196
Comprehensive income (loss) allocable to common shares	\$8,214	\$(268 )	\$(4,511)	\$2,584

The accompanying notes are an integral part of these statements

[\(Back to Index\)](#)

7

[\(Back to Index\)](#)

EXANTAS CAPITAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(in thousands, except share data)

(unaudited)

	Common Stock Shares	Common Stock Amount	Series B Preferred Stock	Series C Preferred Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders' Equity
Balance, January 1, 2018	31,429,892	\$ 31	\$ 5	\$ 5	\$ 1,187,911	\$ 1,297	\$ —	\$(517,773)	\$ 671,476
Stock-based compensation	236,387	1	—	—	—	—	—	—	1
Amortization of stock-based compensation	—	—	—	—	1,626	—	—	—	1,626
Retirement of common stock	(7,134)	) —	—	—	(70)	) —	—	—	(70)
Forfeiture of unvested stock	(1,725)	) —	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	8,849	—	8,849
Distributions on preferred stock	—	—	—	—	—	—	(7,797)	—	(7,797)
Preferred stock redemption Securities	—	—	(5)	) —	(107,881)	) —	(7,482)	—	(115,368)
available-for-sale, fair value adjustment, net	—	—	—	—	—	315	—	—	315
Designated derivatives, fair value adjustment	—	—	—	—	—	1,604	—	—	1,604
Distributions on common stock	—	—	—	—	—	—	6,430	(11,179)	(4,749)
Balance, June 30, 2018	31,657,420	\$ 32	\$ —	\$ 5	\$ 1,081,586	\$ 3,216	\$ —	\$(528,952)	\$