Resource Capital Corp.
Form 424B3
May 24, 2006

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PROSPECTUS

14,450,800 Shares

Common Stock

We are a specialty finance company that invests in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. We are externally managed and advised by Resource Capital Manager, Inc., an indirect wholly-owned subsidiary of Resource America, Inc. (NASDAQ: REXI). We commenced operations in March 2005.

This prospectus relates to the resale of up to 14,450,800 shares of our common stock that the selling stockholders named in this prospectus may offer for sale from time to time. The registration of these shares does not necessarily mean the selling stockholders will offer or sell all or any of these shares of common stock. We will not receive any of the proceeds from the sale of any shares of common stock by the selling stockholders, but will incur expenses in connection with the registration of these shares.

The selling stockholders from time to time may offer and resell the shares held by them directly or through agents or broker-dealers on terms to be determined by the time of sale. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement that will accompany this prospectus. A prospectus supplement also may add, update or change information contained in this prospectus.

We intend to qualify and will elect to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ended December 31, 2005, and we expect to continue to qualify as a REIT for federal income tax purposes for future taxable years.

Our common stock is listed on the New York Stock Exchange under the symbol “RSO.” The last reported sale price on May 18, 2006 was $13.80 per share.

To assist us in qualifying as a REIT, ownership of our common stock by any person is generally limited to 9.8% in value or in number of shares, whichever is more restrictive. In addition, our common stock must be beneficially owned by more than 100 persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year, and no more than 50% of the value of our outstanding common stock may be owned, directly or constructively, by five or fewer individuals at any time during the second half of any taxable year.

Investing in our common stock involves risks. See “Risk Factors” beginning on page 22 of this prospectus for a discussion of these risk factors.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The date of this prospectus is May 24, 2006

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No dealer, salesperson or other individual has been authorized to give any information or make any representations not contained in this prospectus in connection with the offering made by this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of our securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in the affairs of our company since the date hereof.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including the information set forth in Risk Factors, for a more complete understanding of this offering. Except where the context suggests otherwise, the terms we, us and our refer to Resource Capital Corp. and its subsidiaries, Manager refers to Resource Capital Manager, Inc., our external manager and Resource America refers to Resource America, Inc. and its affiliated companies, including the Manager.

Our Company

We are a specialty finance company that intends to qualify and will elect to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ending December 31, 2005. 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 strategy. We invest in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. 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 investments, and to mitigate interest rate risk through derivative instruments. Future distributions and capital appreciation are not guaranteed, however, and we have only limited operating history and REIT experience upon which you can base an assessment of our ability to achieve our objectives.

Our investments target the following asset classes:

Asset class	Principal investments
Commercial real estate-related assets	Commercial mortgage-backed securities, which we refer to as CMBS First priority interests in mortgage real estate loans, which we refer to as A notes Subordinated interests in first mortgage real estate loans, which we refer to as B notes Mezzanine debt related to commercial real estate that is senior to the borrower's equity position but subordinated to other third-party financing
Residential real estate-related assets	Agency residential mortgage-backed securities, which we refer to as RMBS, which are guaranteed by federally chartered entities Non-agency RMBS
Commercial finance assets	Syndicated bank loans Other asset-backed securities, which we refer to as ABS, backed principally by small business and syndicated bank loans and, to a lesser extent, by consumer receivables Equipment leases and notes, principally small- and middle-ticket commercial direct financing leases and notes Trust preferred securities of financial institutions Private equity investments, principally issued by financial institutions

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We use multiple strategies to finance our investment portfolio. In our non-agency RMBS, CMBS, other ABS, syndicated bank loans, equipment leases and notes and trust preferred asset classes, we use warehouse facilities as a short-term financing source before the execution of collateralized debt obligations, which we refer to as CDOs, or other term financing secured by these assets. In our commercial real estate loan portfolio, we use repurchase agreements as a short-term financing source and CDOs and other term financing as a long-term financing source. We finance our agency RMBS portfolio with short-term repurchase arrangements. We seek to mitigate the risk created by any mismatch between the maturities and repricing dates of our agency RMBS and the maturities and repricing dates of the repurchase agreements we use to finance them through derivative instruments, principally floating to fixed interest rate swap agreements.

Our investment portfolio as of March 31, 2006 reflects our investment of the $214.8 million of net proceeds from our March 2005 private offering and substantially all of the $27.6 million we raised in our February 2006 initial public offering. We intend to diversify our portfolio over our targeted asset classes during the next 12 months as follows: between 20% and 25% in commercial real estate-related assets, between 25% and 30% in agency RMBS, between 15% and 20% in non-agency RMBS, and between 30% and 35% in commercial finance assets, subject to the availability of appropriate investment opportunities and changes in market conditions. We expect that diversifying our portfolio by shifting the mix towards higher-yielding assets will increase our earnings, subject to maintaining the credit quality of our portfolio. Credit quality refers to the probability that a loan will be repaid in a timely manner. In general, as credit quality decreases, yields increase to compensate for increased default risk. If we are unable to maintain the credit quality of our portfolio, we will be subject to increased default risk, including the risk of payment defaults. If we experience payment defaults, our revenues will be reduced and our costs, particularly costs we incur to enforce our rights with respect to defaulting assets, may increase, thereby reducing our earnings. Because the amount of leverage we intend to use will vary by asset class, our asset allocation may not reflect the relative amounts of equity capital we have invested in the respective classes.

We have not adopted policies that require us to establish or maintain any specific asset allocations. As a result, we cannot predict the percentage of our assets that we will invest in each asset class or whether we will invest in other asset classes or investments. Investing in multiple asset classes does not reduce or eliminate many of the risks associated with our investment portfolio such as geographic concentration risk and credit risk. We may change our investment strategies and policies, and the percentage of assets that may be invested in each asset class, without a vote of our stockholders.

Because we will elect and intend to qualify to be taxed as a REIT and to operate our business so as to be excluded from regulation under the Investment Company Act of 1940, as amended, we are required to invest a substantial majority of our assets in qualifying real estate assets, such as agency RMBS, B notes with unilateral foreclosure rights on the underlying mortgages, mortgage loans and other liens on and interests in real estate. Therefore, the percentage of our assets we may invest in other mortgage-backed securities, or MBS, other B notes, mezzanine debt, other ABS, syndicated bank loans, equipment leases and notes, trust preferred securities, private equity and other types of investments is limited, unless those investments comply with federal income tax requirements for REIT qualification and requirements for exclusion from Investment Company Act regulation.

Our income is generated primarily from the net interest spread, or the difference between the interest income we earn on our investment portfolio and the cost of financing our investment portfolio, which includes the interest expense, fees, and related expenses that we pay on our borrowings and the cost of the interest rate hedges that we use to manage our interest rate risk.

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Our Investment Portfolio
As of March 31, 2006, our investment portfolio consisted of the following (dollars in thousands):

	Amortized Cost	Estimated fair value	Percent of our total investments(1)	Weighted average coupon(1)
Commercial real estate-related assets				
CMBS	$ 27,964	$ 27,015	1.37%	5.45%
A notes	20,000	20,000	1.01%	5.97%
B notes	136,262	136,262	6.89%	8.21%
Mezzanine loans	55,925	55,925	2.83%	8.24%
Total commercial real estate-related assets	240,151	239,202	12.10%	7.72%
Residential real estate-related assets				
Agency RMBS	853,536	835,276	42.26%	4.59%
Non-agency RMBS	345,038	344,709	17.44%	6.10%
Total residential real estate-related assets	1,198,574	1,179,985	59.70%	5.03%
Commercial finance assets				
Syndicated bank loans	471,721	474,580	24.01%	6.73%
Other ABS	21,558	21,358	1.08%	6.07%
Equipment leases and notes	61,539	61,539	3.11%	8.76%
Total commercial finance assets	554,818	557,477	28.20%	6.93%
Total	$ 1,993,543	$ 1,976,664	100.00%	5.89%

(1) Based on estimated fair value.
Our strategy in each of our asset classes is as follows:

- ***Commercial real estate-related investments***

   - *CMBS.* We invest in CMBS, which are securities that are secured by or evidence interests in a pool of mortgage loans secured by commercial properties. These securities may be senior or subordinate and may be either investment grade or non-investment grade. We expect that most of the CMBS in which we invest will be rated between Aaa and Baa3 by Moodys Investor Services, Inc., or Moodys, and between AAA and BBB- by Standard and Poors Rating Service, or Standard and Poors, although certain of our investments have been rated only by Moodys, and we may invest in related securities that are below investment grade.

      As of March 31, 2006, we had invested $27.0 million on a fair value basis, or 1.37% of our total investments, in CMBS. This portfolio had a weighted-average rating factor, or WARF, of 346, or a weighted average rating between Baa1 and Baa2 by Moodys and between BBB+ and BBB by Standard and Poors. WARF is the quantitative equivalent of Moodys traditional rating categories and is used by Moodys in its credit enhancement calculations for securitization transactions. Our strategy for this class targets a maximum WARF of 610. As of March 31, 2006, the CMBS we had purchased were consistent with our strategic target for this asset class. We expect that this class will decrease to 1% or less of our total investments in the next 12 months as we diversify our investments.

- *Senior interests in whole loans (A notes).* We invest in senior interests in whole loans, referred to as A notes, either directly originated or purchased from third parties. A notes generally consist of either senior participations in, or a component note at the senior position within, a first mortgage. We do not expect to obtain ratings on these investments until we aggregate and finance them through a CDO transaction. We expect our A note investments to have loan to value, or LTV, ratios of up to 70%.

  As of March 31, 2006 we held one A note with a fair value of $20.0 million, or 1.01% of our total investments. The loan had an original weighted average LTV ratio of 45.0%. This investment is consistent with our strategic target for this asset class.

- *Subordinate interests in whole loans (B notes).* We invest in subordinated interests in whole loans, referred to as B notes, either directly originated or purchased from third parties. B notes are secured by a first mortgage and subordinated to the A note. The subordination of a B note is generally evidenced by a co-lender or participation agreement between the holders of the related A note and the B note. B note lenders have the same obligations, collateral and borrower as the A note lenders, but are typically subordinated in recovering upon default. B notes share certain

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credit characteristics with second mortgages in that both are subject to greater credit risk with respect to the underlying mortgage collateral than the corresponding first mortgage or A note. We do not expect to obtain ratings on these investments until we aggregate and finance them through a CDO transaction. We expect our B note investments to have loan to value, or LTV, ratios of between 60% and 90%.

As of March 31, 2006, we held eight B note investments with a fair value of $136.3 million, or 6.89% of our total investments. The loans had an original weighted average LTV ratio of 75.6%. These investments are consistent with our strategic target for this asset class. We expect that this class will increase to between 18% and 20% of our total investments in the next 12 months as we diversify our investments.

- *Mezzanine financing.* We invest in mezzanine loans that are senior to the borrower's equity in, and subordinate to a first mortgage loan on, a property. These loans are secured by pledges of ownership interests, in whole or in part, in entities that directly own the real property. In addition, we may require other collateral to secure mezzanine loans, including letters of credit, personal guarantees of the principals of the borrower, or collateral unrelated to the property. We may structure our mezzanine loans so that we receive a stated fixed or variable interest rate on the loan as well as a percentage of gross revenues and a percentage of the increase in the fair market value of the property securing the loan, payable upon maturity, refinancing or sale of the property. We do not expect to obtain ratings on these investments until we aggregate and finance them through a CDO transaction. We expect our mezzanine investments to have LTV ratios of between 70% and 85%.

As of March 31, 2006, we held six mezzanine loans with a fair value of $55.9 million, or 2.83% of our total investments. The loans had an original weighted average LTV ratio of 82.7%. This investment is consistent with our strategic target for this asset class. We expect that this class will remain between 2% and 5% of our total investments in the next 12 months.

- ***Residential real estate-related investments***

- *Agency RMBS.* We invest in adjustable rate and hybrid adjustable rate agency RMBS, which are securities representing interests in mortgage loans secured by residential real property, on which payments of both principal and interest are generally made monthly, net of any fees paid to the issuer, servicer or guarantor of the securities. RMBS differ from traditional fixed income securities with respect to the possibility that principal on the RMBS may be prepaid at any time due to prepayments on the underlying mortgage loans. In agency RMBS, the mortgage loans in the pools are guaranteed as to principal and interest by federally chartered entities such as Government National Mortgage Association, known as Ginnie Mae, the Federal Home Loan Mortgage Corporation, known as Freddie Mac, and the Federal National Mortgage Association, known as Fannie Mae. In general, our agency RMBS will have an implied AAA rating and will consist of mortgage pools in which we have the entire interest.

- *Non-agency RMBS.* We also invest in non-agency RMBS. The principal difference between agency RMBS and non-agency RMBS is that the mortgages underlying the non-agency RMBS do not conform to agency guidelines as a result of documentation deficiencies, high LTV ratios or credit quality issues. In contrast to agency RMBS, non-agency RMBS typically have structural characteristics that mitigate their prepayment and extension risk. We intend for our investments in non-agency RMBS to be primarily adjustable rate securities. We expect that our non-agency RMBS will include loan pools with home equity loans that are secured by subordinate liens, as well as loan pools that are secured by first and second lien residential mortgage loans secured by the related mortgage properties. The underlying residential borrowers can be characterized as "sub-prime" – borrowers with lower FICO scores, generally below 625, "mid-prime" – borrowers with mid-range scores, generally between 626 and 675, or "prime" – borrowers with the highest FICO scores, generally above 675. We expect that most of the non-agency RMBS in

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which we invest will be rated between AAA and Ba2 by Moody’s and between AAA and BB by Standard and Poor’s, although some of our investments may be rated only by Moody’s.

Our investment strategy within our RMBS portfolio includes an analysis of factors including credit, relative value, supply and demand, costs of hedging, forward London Inter-Bank Offered Rate, or LIBOR, interest rate volatility and the overall shape of the U.S. treasury and interest rate swap yield curves.

As of March 31, 2006, we had invested $835.3 million on a fair value basis, or 42.26% of our total investments, in agency RMBS, and $344.7 million on a fair value basis, or 17.44% of our total investments, in non-agency RMBS, with a weighted average original FICO score of 631. Our agency RMBS had an implied AAA rating. Our non-agency RMBS portfolio had a WARF of 408, or a weighted average rating between Baa2 and Baa3 by Moody’s and between BBB and BBB- by Standard and Poor’s, and an original LTV ratio of 79.01%. As of March 31, 2006, the RMBS we had purchased were consistent with our strategic target for this asset class. We expect that our agency RMBS will decrease to between 25% and 30%, and our non-agency RMBS will remain between 15% and 20%, of our total investments in the next 12 months as we diversify our investments.

- ***Commercial finance investments***

  - *Syndicated bank loans*. We acquire senior secured loans that have a first priority pledge of specified collateral and are senior to other obligations of the borrower. We also acquire subordinated loans which provide a significantly higher yield than first lien loans in exchange for higher risk in the form of a subordinated claim on collateral. We may also invest in corporate bonds which pay holders a specified amount, known as the coupon, periodically until maturity of the bonds, when the face value is due. We expect that most of the syndicated loans in which we invest will be rated between Ba3 and Caa1 by Moody’s and between BB– and CCC+ by Standard and Poor’s.

    As of March 31, 2006, we had invested $474.6 million on a fair value basis, or 24.01% of our total investments, in syndicated bank loans. This portfolio had a WARF of 2,070 or a weighted average rating between Ba3 and B1 by Moody’s and between BB- and B+ by Standard & Poor’s. As of March 31, 2006, the syndicated loans we had invested in were consistent with our strategic target for this asset class. We expect that this class will increase to between 27% and 30% of our total investments in the next 12 months as we diversify our investments.

  - *Other ABS*. We invest in other ABS, principally securitizations or CDOs backed by small business loans and trust preferred securities of financial institutions such as banks, savings and thrift institutions, insurance companies, holding companies for these institutions and REITs. We expect that most of the other ABS in which we invest will be rated between Aaa and Ba2 by Moody’s and between AAA and BB by Standard and Poor’s.

    As of March 31, 2006, we had invested $21.4 million on a fair value basis, or 1.08% of our total investments, in other ABS. This portfolio had a WARF of 398 or a weighted average rating between Baa2 and Baa3 by Moody’s and between BBB and BBB– by Standard & Poor’s. As of March 31, 2006, the other ABS we had purchased were consistent with our strategic target for this asset class. We expect that this class will decrease to 1.0% or less of our total investments in the next 12 months as we diversify our investments.

  - *Equipment leases and notes.* We invest in small- and middle-ticket equipment leases and notes. Under full payout leases and notes, the payments we receive over the term of the financing will return our invested capital plus an appropriate return without consideration of the residual and the obligor will acquire the equipment at the end of the payment term. We focus on leased equipment and other assets that are essential for businesses to conduct their operations so that end users will be highly motivated to make required monthly payments.

    As of March 31, 2006, we held $61.5 million on a fair value basis, or 3.11% of our total investments, of equipment leases and notes, net of unearned income. We expect that this class will remain between 1% and 4% of our total investments in the next 12 months.

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- *Trust preferred securities*. We intend to invest in trust preferred securities, with an emphasis on securities of small- to middle-market financial institutions, including banks, savings and thrift institutions, insurance companies, holding companies for these institutions and REITs. Our focus will be to invest in trust preferred securities issued by financial institutions that have favorable characteristics with respect to market demographics, cash flow stability and franchise value.

  As of March 31, 2006, we had not invested in trust preferred securities. We expect that this class will constitute less than 1% of our total investments in the next 12 months.

- *Private equity*. We invest in direct, non-controlling purchases of private equity and purchases of interests in private equity funds. We expect that any such investments will consist of securities issued by financial institutions, particularly banks and savings and thrift institutions.

  As of March 31, 2006, we had no private equity investments. We expect that this class will constitute less than 1% of our total investments in the next 12 months.

The table below summarizes our borrowings as of March 31, 2006 (dollars in thousands):

	Repurchase agreements(1)	CDOs(2)	Warehouse facility	Unsecured revolving credit facility	Secured term facility	Total
Outstanding borrowings	$ 917,293	687,686	$ 132,793	$	$ 55,767	$ 1,793,539
Weighted-average borrowing rate	4.96%	5.13%	4.60%	N/A	6.23%	5.04%
Weighted-average remaining maturity	22 days	23.8 years	39 days	2.8 years	4.1 years	

(1) Includes accrued interest of $1.5 million.

(2) Amount represents principal outstanding of $697.5 million less unamortized issuance costs of $9.8 million.

Business Strengths

Experienced senior management team. Our senior management team, led by Edward E. Cohen and Jonathan Z. Cohen, has significant experience in real estate investment, commercial lending, financing, securitization, capital markets, transaction structuring and risk management. We believe that the broad experience of our executive officers will enable us to generate investment opportunities across all of our targeted asset classes and effectively manage and finance our portfolio. Before its experience in managing us, the Manager had not managed a REIT.

Deep experience in targeted asset classes. Through the Manager and Resource America, we have access to a team of 64 investment professionals that has broad experience originating, investing in, managing and financing commercial and residential real estate-related assets and commercial finance assets.

Established asset management platform. We benefit from access to Resource America's mature administrative infrastructure, which includes proactive credit analysis and risk management procedures, technology, operations, transaction processing, accounting, legal and compliance and internal audit functions.

Disciplined credit culture and credit perspective. Resource America's disciplined credit culture serves as the backbone for all of its financial services-related businesses. We benefit from Resource America's highly specialized, proprietary credit analysis techniques, such as its proprietary credit and collateral stratifications, stress assessments and its PROTECT procedures for early detection of troubled and deteriorating securities. Through their diverse and ongoing credit experience, the Manager, Resource America and our executive officers have the ability to bring perspectives from multiple asset sectors together in their analysis of investment opportunities.

Significant experience in asset-liability management. Since 2002, Resource America has sponsored 16 CDOs with approximately $6.5 billion in assets on a cost basis, including three of our CDOS, Ischus CDO II, Ltd., Apidos CDO

I, Ltd. and Apidos COO III, Ltd., which financed over $954.4 million of our assets. In addition, the Manager's and Resource America's professionals have significant experience in using hedging instruments to manage the

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interest rate risk associated with the asset classes we invest in, and managed $804.7 million in notional amount of interest rate swaps and an interest rate cap agreement with a notional amount of $15.0 million for us as of March 31, 2006.

Summary Risk Factors

An investment in our common stock involves various risks. You should consider carefully the risks discussed below and under Risk Factors before purchasing our common stock.

- We were recently formed, and have a limited operating history and limited experience operating as a REIT. As a result, investors will not be able to evaluate whether we will be able to execute our investment strategies or operate profitably.

- Our ability to achieve returns for our stockholders depends on our ability both to generate sufficient cash flow to pay distributions and to achieve capital appreciation, and we cannot assure you that we will do either.

- We depend upon the Manager, Resource America and their key personnel because we do not have our own personnel. We may not find suitable replacements if they terminate our management agreement with them or if key personnel are no longer available to us.

- There are potential conflicts of interest in our relationship with the Manager, which could result in decisions that are not in the best interests of our stockholders. Our management agreement was negotiated between related parties and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. In addition, affiliates of the Manager may sponsor or manage other investment vehicles in the future with an investment focus similar to ours, which could result in us competing for access to the benefits that our relationship with the Manager provides to us.

- The Manager is entitled to receive a base managemen