

Ares Commercial Real Estate Corp  
Form 10-Q  
November 05, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2015

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period      to

Commission File No. 001-35517

**ARES COMMERCIAL REAL ESTATE CORPORATION**

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(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**45-3148087**  
(I.R.S. Employer  
Identification Number)

**One North Wacker Drive, 48th Floor, Chicago, IL 60606**

(Address of principal executive office) (Zip Code)

**(312) 252-7500**

(Registrant's telephone number, including area code)

**N/A**

(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 (§232.405 of this chapter) 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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**Class**  
Common stock, \$0.01 par value

**Outstanding at November 3, 2015**  
28,609,650

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**ARES COMMERCIAL REAL ESTATE CORPORATION**

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(in thousands, except share and per share data)

	September 30, 2015 (unaudited)	As of	December 31, 2014
<b>ASSETS</b>			
Cash and cash equivalents (\$8 and \$47 related to consolidated VIEs, respectively)	\$ 10,399	\$	16,551
Restricted cash	27,209		66,121
Loans held for investment (\$622,874 and \$848,224 related to consolidated VIEs, respectively)	1,269,954		1,462,584
Loans held for sale, at fair value	94,050		203,006
Mortgage servicing rights, at fair value	60,148		58,889
Other assets (\$3,197 and \$3,438 of interest receivable related to consolidated VIEs, respectively; \$18,352 of other receivables related to consolidated VIEs as of December 31, 2014)	40,426		60,502
Total assets	\$ 1,502,186	\$	1,867,653
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Secured funding agreements	\$ 521,676	\$	552,799
Warehouse lines of credit	83,511		193,165
Convertible notes	68,863		68,395
Commercial mortgage-backed securitization debt (consolidated VIE)	61,856		219,043
Collateralized loan obligation securitization debt (consolidated VIE)	222,187		308,703
Allowance for loss sharing	8,953		12,349
Due to affiliate	2,689		2,735
Dividends payable	7,152		7,147
Other liabilities (\$291 and \$498 of interest payable related to consolidated VIEs, respectively)	33,675		22,431
Total liabilities	1,010,562		1,386,767
Commitments and contingencies (Note 7)			
<b>EQUITY</b>			
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2015 and December 31, 2014, 28,609,650 and 28,586,915 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	284		284
Additional paid-in capital	421,006		420,344
Accumulated deficit	(13,717)		(17,674)
Total stockholders' equity	407,573		402,954
Non-controlling interests in consolidated VIEs	84,051		77,932
Total equity	491,624		480,886
Total liabilities and equity	\$ 1,502,186	\$	1,867,653

See accompanying notes to consolidated financial statements.

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## ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Net interest margin:</b>				
Interest income from loans held for investment	\$ 20,949	\$ 17,967	\$ 65,131	\$ 50,854
Interest expense	(8,707)	(9,615)	(27,586)	(24,654)
Net interest margin	12,242	8,352	37,545	26,200
<b>Mortgage banking revenue:</b>				
Servicing fees, net	4,114	3,868	11,938	12,581
Gains from mortgage banking activities	9,214	2,473	20,847	9,077
Provision for loss sharing	118	285	1,109	1,346
Change in fair value of mortgage servicing rights	(1,772)	(1,798)	(6,955)	(5,533)
Mortgage banking revenue	11,674	4,828	26,939	17,471
Gain on sale of loans	-	-	-	680