Use these links to rapidly review the document
TABLE OF CONTENTS
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

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 No. 001-35517

ARES COMMERCIAL REAL ESTATE CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	**45-3148087**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One North Wacker Drive, 48th Floor, Chicago, IL 60606
(Address of principal executive offices) (Zip Code)

(312) 252-7500
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

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 ☒

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 (Section §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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 28, 2013, based on the closing price on that date of $12.81 on the New York Stock Exchange, was approximately $322,796,077. As of March 14, 2014, there were 28,555,250 shares of the registrant's common stock outstanding.

Portions of the registrant's Proxy Statement for its 2014 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

	Page
Part I	
Item 1. Business	4
Item 1A. Risk Factors	33
Item 1B. Unresolved Staff Comments	82
Item 2. Properties	82
Item 3. Legal Proceedings	82
Item 4. Mine Safety Disclosures	82
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	83
Item 6. Selected Financial Data	88
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	89
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	104
Item 8. Financial Statements and Supplementary Data (included in F-pages)	107
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	107
Item 9A. Controls and Procedures	107
Item 9B. Other Information	108
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	109
Item 11. Executive Compensation	109
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	109
Item 13. Certain Relationships and Related Party Transactions, and Director Independence	109
Item 14. Principal Accountant Fees and Services	109
Part IV	
Item 15. Exhibits and Financial Statement Schedules	110
Signatures	

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this annual report constitute forward- looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend such statements to be covered by the safe harbor provisions contained therein. Forward-looking statements relate to future events or the future performance or financial condition of Ares Commercial Real Estate Corporation ("ACRE" and, together with its consolidated subsidiaries, the "Company," "we," "us" and "our"). The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our business and investment strategy;
- our projected operating results;
- the timing of cash flows, if any, from our investments;
- the state of the U.S. economy generally or in specific geographic regions;
- defaults by borrowers in paying debt service on outstanding items;
- actions and initiatives of the U.S. Government and changes to U.S. Government policies;
- our ability to obtain financing arrangements;
- the amount of commercial mortgage loans requiring refinancing;
- financing and advance rates for our target investments;
- our expected leverage;
- general volatility of the securities markets in which we may invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the uncertainty surrounding the strength of the U.S. economic recovery;
- the return or impact of current and future investments;
- allocation of investment opportunities to us by Ares Commercial Real Estate Management LLC, or "our Manager";
- changes in interest rates and the market value of our investments;
- effects of hedging instruments on our target investments;
- rates of default or decreased recovery rates on our target investments;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- changes in governmental regulations, tax law and rates, and similar matters (including interpretation thereof);
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes, or "REIT";
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the "1940 Act";
- availability of investment opportunities in mortgage-related and real estate-related investments and securities;

- the ability of our Manager to locate suitable investments for us, monitor, service and administer our investments and execute our investment strategy;
- our ability to successfully complete and integrate any acquisitions;
- our ability to integrate ACRE Capital LLC into our business and achieve the benefits we anticipate from our acquisition of ACRE Capital LLC;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy; and
- the future of U.S. Government-sponsored entities.

We use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this annual report.

We have based the forward-looking statements included in this annual report on information available to us on the date of this annual report, and we assume no obligation to update any such forward-looking statements.

PART I

Item 1. Business

The following description of the business of Ares Commercial Real Estate Corporation should be read in conjunction with the information included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2013. We refer to Ares Commercial Real Estate Corporation ("ACRE") together with our subsidiaries as "we," "us," "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our manager, Ares Commercial Real Estate Management LLC, as our "Manager" or "ACREM" and the parent company of our Manager, Ares Management LLC, together with our consolidated subsidiaries (other than us), as "Ares Management."

GENERAL

We are a specialty finance company that is primarily focused on directly originating, managing and servicing a diversified portfolio of commercial real estate ("CRE") debt-related investments for our own account. Our target investments include senior loans, bridge loans, subordinated mortgages and B-Notes, preferred equity and other CRE-related investments. Through our Manager, we have investment professionals strategically located across the nation who directly source new loan opportunities for us with owners, operators and sponsors of CRE properties. We generally hold our loans for investment and earn interest and interest-related income. This is our primary business segment, referred to as the principal lending business.

We are also engaged in the mortgage banking business through our wholly owned subsidiary, ACRE Capital LLC ("ACRE Capital"), which we believe is complementary to our principal lending business. In this business segment, we directly originate long-term senior loans collateralized by multifamily and senior-living properties and sell them to third parties pursuant to government and government-sponsored entity ("GSE") programs. While we earn little interest income from these activities as we generally only hold loans for short periods, we receive origination fees when we close loans and sale premiums when we sell loans. We also retain the rights to service the loans, which are known as mortgage servicing rights ("MSRs") and receive fees for providing such service during the life of the loans which generally last ten years or more.

Because we operate both as a principal lender and a mortgage banker (with respect to loans collateralized by multifamily and senior-living properties), we can offer a wider array of financing solutions to our customers, including (i) short and long-term loans ranging from one to ten (or more) years, (ii) bridge and permanent loans, (iii) floating and fixed rate loans, and (iv) loans collateralized by development, value-add (or transitional) and stabilized properties. We also have the flexibility to provide a combination of solutions to our customers, including instances where our principal lending business provides a short-term, bridge loan to an owner of multifamily properties while our mortgage banking business seeks long-term permanent financing for the same customer. This provides us the opportunity to offer a customer an efficient "one stop" financial product and at the same time earn revenues at multiple times in the relationship with the customer. First, we earn interest and interest-related income while holding the short term bridge loan. Second, we earn origination fees and sale premiums when we provide permanent financing and sell the loans under GSE programs. And, third, we earn servicing fees from MSRs that we retain on the permanent loans.

We were formed and commenced operations in late 2011. We are a Maryland corporation and completed our initial public offering (the "IPO") in May 2012. We are externally managed by our Manager, a wholly owned subsidiary of Ares Management, a global alternative asset manager and a Securities and Exchange Commission ("SEC") registered investment adviser, pursuant to the terms of a management agreement.

From the commencement of our operations, we have been focused on our principal lending business. Our loans, referred to as our "principal lending target investments," are generally held for investment and are secured, directly or indirectly, by office, multifamily, retail, industrial, lodging, senior living and other commercial real estate properties, or by ownership interests therein and include: (a) "transitional senior" mortgage loans, (b) "stretch senior" mortgage loans, (c) "bridge financing" mortgage loans that provide short-term financing to borrowers ranging from six to 24 months in term. Bridge loans may be used to provide financing to borrowers seeking GSE permanent loans while they work through the application process or in the event the underlying properties need additional time to stabilize before locking in long-term debt, (d) subordinated real estate loans such as B-Notes, mezzanine loans, certain rated tranches of securitizations and (e) other select CRE debt and preferred equity investments. "Transitional senior" mortgage loans provide strategic, flexible, short-term financing solutions for owners of transitional CRE middle-market assets that are the subject of a business plan that is expected to enhance the value of the property. "Stretch senior" mortgage loans provide flexible "one stop" financing for owners of CRE middle-market assets that are typically stabilized or near-stabilized properties with healthy balance sheets and steady cash flows. These mortgage loans typically have higher leverage (and thus higher loan-to-value ratios) than conventional mortgage loans provided by banks, insurance companies and other CRE lenders and are generally non-recourse to the borrower (as compared to conventional mortgage loans, which are often with partial or full recourse to the borrower).

On August 30, 2013, we commenced our complementary mortgage banking business by acquiring all of the outstanding common units of EF&A Funding, L.L.C., d/b/a Alliant Capital LLC, a Michigan limited liability company (the "Acquisition"), which we renamed ACRE Capital LLC ("ACRE Capital") at closing. We paid approximately $53.4 million in cash, subject to adjustment, and issued 588,235 shares of our common stock in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") as consideration for the Acquisition. The transaction was accounted for as a business combination under Financial Accounting Standards Board ("FASB") Accounting Standard Codification "(ASC") Topic 805, *Business Combinations* ("ASC 805"). In the mortgage banking and servicing business segment, we directly originate and sell loans with a focus on lending for multifamily and senior-living properties under GSE programs while retaining MSRs.

We have elected and qualified to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our taxable year ended December 31, 2012. We generally will not be subject to U.S. federal income taxes on our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, to the extent that we annually distribute all of our REIT taxable income to stockholders and comply with various other requirements as a REIT.

In connection with the Acquisition, we created a wholly owned subsidiary, ACRE Capital Holdings LLC ("TRS Holdings"), to hold the common units of ACRE Capital. An entity classification election to be taxed as a corporation and a taxable REIT subsidiary ("TRS") election were made with respect to TRS Holdings. In addition, in December 2013, we formed a new wholly owned subsidiary, ACRC Lender W TRS LLC ("ACRC TRS"), for which an entity classification election to be taxed as a corporation and a TRS election were made, in order to issue and hold certain loans intended for sale. A TRS is an entity taxed as a corporation other than a REIT in which a REIT directly or indirectly holds equity, and that has made a joint election with such REIT to be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by we without jeopardizing our qualification as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on our taxable income. In addition, as a REIT, we also may

be subject to a 100% excise tax on certain transactions between it and our TRS that are not conducted on an arm's-length basis.

Our Investment Strategy

In our principal lending business, we target borrowers whose capital needs are not being suitably met in the conventional bank market by offering customized financing solutions. We implement a strategy focused on direct origination combined with experienced portfolio management. We believe the availability of the customized capital we provide in the CRE middle-market is limited and we continue to find increasing demand from borrowers and sponsors for customized solutions in this segment of the market. We act as a single "one stop" source of financing for our customers through our customized financing solutions.

Target Assets

Our target investments in the principal lending business include transitional senior mortgage loans, stretch senior mortgage loans, bridge loans, subordinated real estate loans and other select CRE debt and preferred equity investments. In the case of bridge loans, with respect to multifamily properties, we may seek to provide interim-financing to borrowers prior to or while they are pursuing long-term, permanent financing through our mortgage banking business under various GSE programs.

Commercial Real Estate Loans

- *Commercial Mortgage Loans and A-Notes:* These mortgage loans are typically secured by first liens on commercial properties, including the following property types: office, retail, multifamily/manufactured housing, industrial/warehouse and hospitality. In some cases, first lien mortgages may be divided into an A-Note and a B-Note. The A-Note is typically a privately negotiated loan that is secured by a first mortgage on a commercial property or group of related properties that is senior to a B-Note secured by the same first mortgage property or group.

- *Subordinated Mortgage Loans and B-Notes:* These loans may include structurally subordinated first mortgage loans and junior participations in first mortgage loans or participations in these types of assets. As noted above, a B-Note is typically a privately negotiated loan that is secured by a first mortgage on a commercial property or group of related properties and is subordinated to an A-Note secured by the same first mortgage property or group. The subordination of a B-Note typically is evidenced by participations or intercreditor agreements with other holders of interests in the note. B-Notes are subject to more credit risk with respect to the underlying mortgage collateral than the corresponding A-Note.

- *Mezzanine Loans:* Like B-Notes, these loans are also subordinated CRE loans, but are usually secured by a pledge of the borrower's equity ownership in the entity that owns the property or by a second lien mortgage on the property. In a liquidation, these loans are generally junior to any mortgage liens on the underlying property, but senior to any preferred equity or common equity interests in the entity that owns the property. Investor rights are usually governed by intercreditor agreements.

Other CRE Debt and Preferred Equity Investments

To a lesser extent, we invest in other loans and securities, subject to maintaining our qualification as a REIT, including but not limited to loans to real estate or hospitality companies, debtor-in-possession loans, preferred equity and selected other income producing equity investments, such as triple net lease equity.

Direct Origination

We generally source new investments through our national direct origination platform consisting of more than 15 offices across the United States. We also seek to make investments in Europe through our Manager, which has offices in major cities across Europe. Direct origination allows us to:

- take a more active role in underwriting and structuring investments;
- have direct access to our customers' management teams and enhance our due diligence process;
- have meaningful input into our customers' pro forma capital structures;
- actively participate in negotiating transaction pricing and terms; and
- generate structuring and origination fees.

Our direct origination strategy gives us the flexibility to originate a broad and flexible product that meets the specific needs of our customers and drives portfolio composition in response to changing market conditions. Our Manager will opportunistically adjust our asset allocation, with the proportion and types of investments changing over time depending on our Manager's views on, among other things, the then-existing economic and credit environment. Based on current market conditions, we expect that, like our current investment portfolio, the majority of our investments will be senior mortgage loans secured by cash-flowing properties located in the United States and directly originated by us. These investments will typically pay interest at rates that are determined periodically on the basis of a floating base lending rate (primarily LIBOR plus a premium) and generally have an initial three-year term followed by extension options and an expected duration between one and five years.

Opportunistic Strategy

In pursuing investment opportunities with attractive risk-reward profiles, our Manager incorporates our views of the current and future economic environment, our outlook for real estate in general and particular asset classes and our assessment of the risk-reward profile derived from our underwriting. Our Manager's underwriting standards center on the creditworthiness of the borrower and the underlying sponsor of a given asset, with particular focus on an asset's business plan, competitive positioning within the market, existing capital structure and potential exit opportunities. All investment decisions are made so that we maintain our qualification as a REIT and our exemption from registration under the Investment Company Act of 1940, as amended, or the "1940 Act."

In addition, as part of our investment strategy, we may from time to time engage in discussions with counterparties with respect to various potential strategic acquisition and investment transactions, including potential acquisitions of other finance companies or loan portfolios. In connection with evaluating potential strategic acquisition and investment transactions, we may incur significant expenses for the evaluation and due diligence investigation of any potential transaction.

Our investment strategy may be amended from time to time without the approval of our stockholders, if recommended by our Manager and approved by our board of directors. We expect to disclose any material changes to our investment strategy in the periodic quarterly and annual reports that we will file with the SEC.

Mortgage Banking Business

Through ACRE Capital we operate our mortgage banking business under a combination of programs, including the Federal National Mortgage Association ("Fannie Mae"), the Government National Mortgage Association ("Ginnie Mae") and the Federal Housing Administration ("FHA"), a division of the U.S. Department of Housing and Urban Development (together with Ginnie Mae, "HUD"). ACRE Capital is approved as a Delegated Underwriting and Servicing ("DUS") lender to

Fannie Mae, a Multifamily Accelerated Processing ("MAP") and Section 232 LEAN lender for HUD, and a Ginnie Mae issuer. In this segment, we utilize such platforms to originate and service multifamily residential mortgage loans, senior housing and healthcare facilities (our "mortgage and servicing target investments" and, together with our principal lending target investments, our "target investments"). Unlike the loans in our principal lending business, we generally only hold the loans we generate in the mortgage banking business for approximately 30 days, while retaining the MSRs.

Our Manager and Ares Management

We are externally managed and advised by our Manager, a SEC registered investment adviser, pursuant to the terms of a management agreement dated April 25, 2012 between us and our Manager. Our Manager is responsible for administering our business activities and day-to-day operations and providing us our executive management team, principal investment team and appropriate support personnel. Pursuant to the management agreement, our Manager is entitled to receive a base management fee, an incentive fee, expense reimbursements, grants of equity-based awards pursuant to our equity incentive plan that was adopted on April 23, 2012, or the "2012 Equity Incentive Plan" and a termination fee, if applicable.

Our Manager is an affiliate of Ares Management, a global alternative asset manager and SEC registered investment adviser founded in 1997. As of December 31, 2013, Ares Management had approximately 790 employees in over a dozen offices worldwide, including over 300 investment professionals with significant experience in CRE, private debt, capital markets, private equity, trading and research. We believe that the significant experience of our Manager's and Ares Management's investment professionals, our Manager's background in developing customized financing solutions for CRE middle-market borrowers and our Manager's efficient and comprehensive credit underwriting process position us to be a preferred lender for borrowers seeking flexible CRE middle-market financing. As of December 31, 2013, Ares Management managed approximately $74 billion of assets under management ("AUM")(1) on behalf of large pension funds, banks, insurance companies, endowments, public institutional and retail investors and certain high net worth individuals.

The following chart shows the structure and various investment strategies of Ares Management as of December 31, 2013:

(1) AUM refers to the assets of the funds, alternative asset companies and other entities and accounts that are managed or co-managed by Ares Management. It also includes funds managed by Ivy Hill Asset Management, L.P. It includes drawn and undrawn amounts, including certain amounts that

are subject to regulatory leverage restrictions and/or borrowing base restrictions. AUM amounts are as of December 31, 2013 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.

Ares Management is organized around four primary investment platforms: Tradable Credit, Direct Lending, Private Equity and Real Estate. Ares' senior partners have been working together as a group for many years and have an average of over 26 years of experience in leveraged finance, private equity, distressed debt, real estate, investment banking and capital markets. They are backed by a team of over 300 investment professionals, which as of December 31, 2013, covered investments in more than 1,000 companies and more than 300 properties across over 30 industries. We believe that our Manager's access to the insights of Ares Management's investment professionals in the Tradable Credit, Direct Lending, Private Equity and Real Estate Groups provides us with a breadth of market knowledge that differentiates us from many of our competitors. Our Manager has adopted Ares Management's rigorous investment process that is based upon an intensive, independent financial analysis, with a focus on preservation of capital, diversification and active portfolio management.

As of December 31, 2013, the Ares Management Real Estate Group (of which our Manager is a part), had approximately $9 billion of total AUM in CRE-related investments and an origination, investment and portfolio management team consisting of approximately 80 experienced investment professionals and approximately 60 administrative professionals, including legal and finance professionals. AUM refers to the assets of the Real Estate Group's funds. The Real Estate Group's AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund-level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). This team is led by senior investment professionals that have significant experience directly originating, underwriting, financing, and managing CRE middle-market loans and other CRE-related assets throughout various market cycles, including the severe economic downturn that began in 2007. For a more detailed discussion on how the current economic conditions may impact us, see "Risk Factors—Risks Related to Our Investments—A prolonged economic slowdown, a lengthy or severe recession or further declines in real estate values could impair our investments and ACRE Capital's MSRs and harm our operations."

Our Manager also works closely with other investment professionals in the Ares Management Direct Lending Group, which as of December 31, 2013, had approximately $27 billion of total AUM. The Ares Management Direct Lending Group, which includes an origination, investment and portfolio management team of approximately 120 U.S.-based investment professionals focused on investments in the "corporate middle-market," which the Ares Management Direct Lending Group defines as companies with annual earnings before interest, tax, depreciation and amortization, or EBITDA, between $10 million and $250 million. The Ares Management Direct Lending Group primarily focuses on the direct origination of non-syndicated first and second lien senior secured loans and mezzanine debt in the corporate middle-market. The Ares Management Direct Lending Group also manages Ares Capital Corporation, a publicly traded specialty finance company with approximately $8.1 billion of total assets as of December 31, 2013. We expect to leverage the Ares Management Direct Lending Group's skill and experience managing a public company and Ares Management's investor and lender relationships as we operate the Company and increase scale.

MARKET OPPORTUNITY

We believe that our target investments currently present attractive risk-adjusted return profiles. Following a dramatic decline in CRE lending in 2008 and 2009, debt capital has become more readily available for select stabilized, high quality assets in certain locations such as gateway cities, but remains limited for many other types of properties. For example, we currently anticipate a high demand for customized debt financing from borrowers or sponsors who are looking to purchase a property and implement a business plan to enhance the value of the property.

We believe that as a result of the aforementioned economic downturn and the subsequent banking regulatory reform, a number of lenders and finance companies who traditionally served the CRE middle-market are burdened with legacy portfolio issues, balance sheet constraints or have otherwise exited the market. We believe that this decreased competition will create a favorable investment environment for the foreseeable future.

COMPETITIVE ADVANTAGES

We believe that we have the following competitive advantages in originating and acquiring assets for our investment portfolio:

The Ares Management Platform

We benefit from Ares Management's extensive credit-focused culture and investment platform, which have contributed to its reputation as a leading corporate credit manager. We believe Ares Management's existing investment platform provides us with extensive access to capital markets relationships, deal flow and an established investment evaluation process, as well as in-depth market information, company knowledge and industry insight that benefits our investment and due diligence process. Furthermore, in sourcing and analyzing our investments, we benefit from access to Ares Management's substantial portfolio of investments in over 1,000 companies across over 30 industries and its extensive network of relationships with middle-market companies, including management teams, members of the investment banking community, private equity groups and other investment firms with whom Ares Management has long-term relationships. We also benefit from Ares Management's experience managing a public company and its well-developed infrastructure as we operate the Company and increase scale.

Seasoned Management Team with Significant Real Estate Experience

Our Manager's senior investment professionals have extensive experience investing in and financing CRE across market cycles over the last two decades. In particular, our senior investment professionals have substantial experience in the direct origination, structuring and ownership of investments to provide attractive returns without exposing investors to an inappropriate level of risk. Over the course of their careers such individuals have been part of teams that have invested, owned or managed over $15 billion of CRE investments. Our senior management team also has significant experience operating and building public and private companies, including real estate and specialty finance companies, and has demonstrated its ability to obtain access to public and private credit and equity capital throughout various market cycles.

National Direct Origination Platform

Our Manager employs a nationwide team of senior investment professionals who have an average of approximately 20 years in the origination and credit underwriting of CRE loans. We believe having a network of experienced personnel in key local markets such as Dallas, Chicago, New York and Los Angeles enhances our focus on fundamental market and credit analyses that emphasize current and sustainable cash flows. We believe this insight, together with the deal flow to be provided by such originators, enables us to originate loans with proper risk-adjusted return profiles. We also believe our national platform of originators helps us maintain relationships with our borrowers and their sponsors, which can lead to future or repeat business.

Established Portfolio Management Functions

Our Manager currently acts as portfolio manager for a portfolio of CRE-related investments, including senior and subordinated loans, and the Ares Management Real Estate Group, of which our

Manager is a part, had approximately $9 billion of total AUM as of December 31, 2013. These portfolio management activities include primary and special servicing functions performed by a team of experienced professionals through our Manager's servicer, which is a Standard & Poor's-rated commercial primary servicer and commercial special servicer that is included on Standard & Poor's Select Servicer List. Our Manager actively monitors and manages our investments from origination to payment or maturity. Our Manager's active portfolio management, which includes the use of its special servicing subsidiary, allows it to assess and manage the risk in our portfolio more accurately, build and maintain strong relationships with borrowers and their sponsors, control costs and ensure operational control over our investments.

Flexible "One Stop" Transaction Structuring

While maintaining our focus on credit and risk assessment, we are flexible in structuring investments, including the types of assets that we originate or invest in, and the terms associated with such investments. We leverage Ares Management's experience investing across a capital structure and its "buy and hold" philosophy, which enhances our ability to provide "one stop" financing and to tailor an investment to meet the specific needs of a borrower. We believe that having flexibility with our transaction structuring, while maintaining our underwriting standards, rigorous investment approach and target investment and market focus, enhances our competitive position in the CRE middle-market by providing a strong value proposition to borrowers seeking financial solutions that cannot typically be provided by traditional "senior only" or "mezzanine only" lenders or those lenders intending to securitize the underlying investment. Our ability to tailor investments in turn allows us to drive increased earnings through premium pricing on a risk-adjusted basis. Furthermore, we believe that this flexible approach, coupled with Ares Management's market visibility and sourcing capabilities, enables our Manager to identify attractive investment opportunities throughout economic cycles and across a borrower's capital structure, and allows us to make investments consistent with our stated investment objective.

OUR INVESTMENT PORTFOLIO

As of December 31, 2013, in its investment portfolio, the Company had originated or co-originated 33 loans secured by CRE middle-market properties, excluding three loans that were repaid during the year ended December 31, 2013. The aggregate originated commitment under these loans at closing was approximately $1.1 billion and outstanding principal was $965.4 million as of December 31, 2013. During the year ended December 31, 2013, the Company funded approximately $675.6 million and received repayments of $66.9 million on its net $965.4 million of outstanding principal as described in more detail in the table below. Such investments are referred to herein as the Company's investment portfolio. The following table presents an overview of the investment portfolio in our principal lending business, based on information available as of December 31, 2013. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

	December 31, 2013				
$ in thousands	Carrying Amount(1)	Outstanding Principal(1)	Weighted Average Interest Rate	Weighted Average Unleveraged Effective Yield	Weighted Average Remaining Life (Years)
Senior mortgage loans	$ 867,578	$ 873,781	5.1%	5.6%	2.4
Subordinated and mezzanine loans	90,917	91,655	9.8%	10.2%	3.6
Total	$ 958,495	$ 965,436	5.5%	6.0%	2.5

(1) The difference between the carrying amount and the outstanding principal face amount of the loans held for investment consists of unamortized purchase discount, deferred loan fees and loan origination costs.

In addition to the $958.5 million of loans held for investment, the Company also has $84.8 million and $4.5 million of loans held for sale in its principal lending business and mortgage banking business, respectively. The loan held for sale in its principal lending business is held in ACRC TRS.

OUR FINANCING STRATEGY

Subject to maintaining our qualification as a REIT and our exemption from the 1940 Act, we expect that our primary sources of financing will be, to the extent available to us, through (a) credit, secured funding and other lending facilities, (b) securitizations, (c) other sources of private financing, including warehouse, repurchase facilities and structuring of senior and mezzanine loans and (d) public offerings of our equity or debt securities. In the future, we may utilize other sources of financing to the extent available to us.

Funding Agreements

We borrow funds under the Wells Fargo Facility, the Citibank Facility, the Capital One Facility, the ASAP Line of Credit and the BAML Line of Credit (collectively, the "Funding Agreements").

Wells Fargo Facility

We are party to a $225.0 million secured revolving funding facility arranged by Wells Fargo Bank, National Association, or the "Wells Fargo Facility," pursuant to which we borrow funds to finance qualifying senior commercial mortgage loans, A-Notes, mezzanine loans and pari passu senior participations in mortgage loans, subject to available collateral. Advances under the Wells Fargo Facility accrue interest at a per annum rate equal to the sum of (i) 30-day LIBOR- plus (ii) a pricing margin range of 2.00% - 2.50%. The initial maturity date of the Wells Fargo Facility is December 14, 2014 and, provided that certain conditions are met and applicable extension fees are paid, is subject to two 12-month extension options. As of December 31, 2013 and 2012, the outstanding balance on the Wells Fargo Facility was $166.9 million and $98.2 million, respectively.

The Wells Fargo Facility contains various affirmative and negative covenants applicable to us and certain of our subsidiaries, including the following: (a) limitations on the incurrence of additional indebtedness or liens, (b) limitations on how borrowed funds may be used, (c) limitations on certain distributions and dividend payments in excess of the minimum amount necessary to continue to qualify as a REIT and avoid the payment of income and excise taxes, (d) maintenance of adequate capital, (e) limitations on change of control, (f) maintaining a ratio of total debt to total assets of not more than 75%, (g) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA (net income before net interest expense, income tax expense, depreciation and amortization), as defined, to fixed charges) for the immediately preceding 12 month period ending on the last date of the applicable reporting period to be at least 1.25 to 1.00, (h) maintaining a tangible net worth of at least the sum of (1) 80% of our tangible net worth as of May 22, 2012, plus (2) 80% of the net proceeds raised in all future equity issuances by us, and (i) if certain specific debt yield, loan to value or other credit based tests are not met with respect to assets on the Wells Fargo Facility, we may be required to repay certain amounts under the Wells Fargo Facility. On November 8, 2013, the Wells Fargo Facility was modified to allow for pari passu senior participations in mortgage loans as eligible collateral, among other things. On December 20, 2013, the Wells Fargo Facility was modified to allow for mezzanine loan collateral under certain circumstances, among other things.

Citibank Facility

We are party to a $125.0 million secured revolving funding facility arranged by Citibank, N.A., or the "Citibank Facility," pursuant to which we borrow funds to finance qualifying senior commercial mortgage loans and A-Notes, subject to available collateral. Under the Citibank Facility, we borrow

funds on a revolving basis in the form of individual loans. Each individual loan is secured by an underlying loan originated by us. Advances under the Citibank Facility accrue interest at a per annum rate based on 30-day LIBOR. The margin can vary between 2.25% and 2.75% over the greater of LIBOR and 0.5%, based on the debt yield of the assets contributed into ACRC Lender C LLC, one of our wholly owned subsidiaries and the borrower under the Citibank Facility. The maturity date of the Citibank Facility is July 2, 2018. As of December 31, 2013 and 2012, the outstanding balance on the Citibank Facility was $97.5 million and $13.9 million, respectively.

The Citibank Facility contains various affirmative and negative covenants applicable to us and certain of our subsidiaries, including the following: (a) maintaining tangible net worth of at least the sum of (1) 80% of our tangible net worth as of May 1, 2012, plus (2) 80% of the total net capital raised in all future equity issuances by us, (b) maintaining liquidity in an amount not less than the greater of (1) $5.0 million or (2) 5% of our recourse indebtedness, not to exceed $10.0 million (provided that in the event our total liquidity equals or exceeds $5.0 million, we may satisfy the difference between the minimum total liquidity requirement and our total liquidity with available borrowing capacity), (c) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA (net income before net interest expense, income tax expense, depreciation and amortization), as defined, to fixed charges) for the immediately preceding twelve month period ending on the last date of the applicable reporting period to be at least 1.25 to 1.00, and (d) if our average debt yield across the portfolio of assets that are financed with the Citibank Facility falls below certain thresholds, we may be required to repay certain amounts under the Citibank Facility. The Citibank Facility also prohibits us from amending the management agreement with our Manager in any material respect without the prior consent of the lender.

Capital One Facility

We are party to a $100.0 million secured revolving funding facility with Capital One, National Association, or the "Capital One Facility," pursuant to which we borrow funds to finance qualifying senior commercial mortgage loans, subject to available collateral. Under the Capital One Facility, we borrow funds on a revolving basis in the form of individual loans evidenced by individual notes. Each individual loan is secured by an underlying loan originated by us. Amounts outstanding under each individual loan accrue interest at a per annum rate equal to the sum of (i) 30-day LIBOR, plus (ii) a spread ranging between 2.00% and 3.50%. We may request individual loans under the Capital One Facility through and including May 18, 2015, subject to successive 12-month extension options at the lender's discretion. The maturity date of each individual loan is the same as the maturity date of the underlying loan that secures such individual loan. As of December 31, 2012, the outstanding balance on the Capital One Facility was $32.2 million. As of December 31, 2013, there was no outstanding balance under the Capital One Facility.

The Capital One Facility contains various affirmative and negative covenants applicable to us and certain of our subsidiaries, including the following: (a) maintaining a ratio of debt to tangible net worth of not more than 3.0 to 1, (b) maintaining a tangible net worth of at least the sum of (1) 80% of the Company's tangible net worth as of May 1, 2012, plus (2) 80% of the net proceeds received from all future equity issuances by the Company, and (c) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA, as defined, to fixed charges) for the immediately preceding 12 month period ending on the last date of the applicable reporting period to be at least 1.25 to 1. Effective September 27, 2012, the agreements governing the Capital One Facility were amended to provide that the required minimum fixed charge coverage ratio with respect to us as guarantor would start to be tested upon the earlier to occur of (a) the calendar quarter ending on June 30, 2013 and (b) the first full calendar quarter following the calendar quarter in which we reported "Loans held for investment" in excess of $200.0 million on our quarterly consolidated balance sheet. Because we reported "Loans

held for investment" in excess of $200.0 million as of December 31, 2012, we are required to test the minimum fixed charge coverage ratio beginning with the quarter ended March 31, 2013.

Warehouse Lines of Credit

ASAP Line of Credit

On August 25, 2009, ACRE Capital entered into a multifamily as soon as pooled ("ASAP") sale agreement with Fannie Mae, which was assumed as part of the Acquisition. As of December 31, 2013, the Fannie Mae ASAP Line of Credit (the "ASAP Line of Credit") had a borrowing capacity of $105.0 million with no expiration date. Fannie Mae advances payment to ACRE Capital in two separate installments according to the terms as set forth in the ASAP sale agreement. The first installment is considered an advance to ACRE Capital from Fannie Mae and not a sale until the second advance and settlement is made. Installments received by ACRE Capital from Fannie Mae are financed on the ASAP Line of Credit, which charges interest at a floating daily rate of 30-day LIBOR+1.40% with a floor of 1.75% and is secured by the underlying originated loan. As of December 31, 2013, there was no outstanding balance under the ASAP Line of Credit.

BAML Line of Credit

As of December 31, 2013, ACRE Capital maintained a line of credit with Bank of America, N.A. (the "BAML Line of Credit") of $80.0 million with a stated interest rate of Bank of America LIBOR Daily Floating Rate plus 1.60%. The BAML Line of Credit was assumed as part of the Acquisition. The agreement governing the BAML Line of Credit was amended in January 2014 to extend the maturity date to April 1, 2014. For the year ended December 31, 2013, the Company incurred a non-utilization fee of $26 thousand. As of December 31, 2013, there was no outstanding balance under the BAML Line of Credit.

2015 Convertible Notes

We have outstanding $69.0 million aggregate principal amount of unsecured 7.000% Convertible Senior Notes due 2015, or the "2015 Convertible Notes," the terms of which are governed by an Indenture, dated December 19, 2012, or the "Indenture," between us and U.S. Bank National Association, as trustee. As of December 31, 2013 and 2012, the carrying value of the 2015 Convertible Notes was $67.8 million and $67.3 million, respectively. The 2015 Convertible Notes bear interest at a rate of 7.000% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2013. The effective interest rate of the 2015 Convertible Notes, which is equal to the stated rate of 7.000% plus the accretion of the original issue discount and associated costs, was approximately 9.4% for the years ended December 31, 2013 and 2012. The 2015 Convertible Notes will mature on December 15, 2015, or the "Maturity Date," unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the 2015 Convertible Notes prior to the Maturity Date, except to the extent necessary to preserve our qualification as a REIT for U.S. federal income tax purposes.

For more information about our 2015 Convertible Notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—2015 Convertible Notes."

Commercial Mortgage-Backed Securitization

As of December 31, 2013, we had approximately $395.0 million of Offered Certificates (defined below) outstanding, which were issued in a commercial mortgage-backed securitization effected by ACRC 2013-FL1 Depositor LLC (the "Depositor"), our wholly owned subsidiary, in November 2013. In connection with the securitization, the Depositor entered into a Pooling and Servicing Agreement (the

"Pooling and Servicing Agreement") with Wells Fargo Bank, National Association, as master servicer, Ares Commercial Real Estate Servicer LLC, as special servicer, U.S. Bank National Association, as trustee, certificate administrator, paying agent and custodian, and Trimont Real Estate Advisors, Inc., as trust advisor, in connection with forming ACRE Commercial Mortgage Trust 2013-FL1 (the "Trust"). The Pooling and Servicing Agreement governs the issuance of approximately $493.8 million aggregate principal balance commercial mortgage pass-through certificates (the "Certificates"). In connection with the securitization, the Depositor contributed to the Trust a pool of 18 adjustable rate participation interests in commercial mortgage loans secured by 27 commercial properties, which loans were originated or co-originated by us or our subsidiaries. The Certificates represent, in the aggregate, the entire beneficial ownership interest in, and the obligations of, the Trust.

In connection with the securitization, we offered and sold the following classes of certificates: Class A, Class B, Class C and Class D Certificates (collectively, the "Offered Certificates) to third parties pursuant to an offering made privately in transactions exempt from the registration requirements of the Securities Act. In addition, a wholly owned subsidiary of ours retained approximately $98.8 million of the Certificates. The weighted average coupon of the Offered Certificates as of December 31, 2013 was LIBOR plus 1.89%.

Other Credit Facilities, Warehouse Facilities and Repurchase Agreements

In the future, we may also use other sources of financing to fund the origination or acquisition of our target investments, including other credit facilities, warehouse facilities, repurchase facilities, convertible debt, retail notes, securitized financings and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized and may involve one or more lenders. We expect that these facilities will typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates.

Capital Markets

Subject to maintaining our qualification as a REIT and our exemption from registration under the 1940 Act, we may seek to raise further equity capital and issue debt securities in order to fund our future investments. For example, we may seek to enhance the returns on our senior commercial mortgage loan investments, especially loan originations, through securitizations, if available. To the extent available, we intend to securitize the senior portion of some of our loans, while retaining the subordinate securities in our investment portfolio. The securitization of this senior portion will be accounted for as either a "sale" and the loans will be removed from our balance sheet or as a "financing" and will be classified as "securitized loans" on our balance sheet, depending upon the structure of the securitization.

LEVERAGE POLICIES

We intend to use prudent amounts of leverage to increase potential returns to our stockholders. To that end, subject to maintaining our qualification as a REIT and our exemption from registration under the 1940 Act, we intend to use borrowings to fund the origination or acquisition of our target investments. Given current market conditions and our focus on first or senior mortgages, we currently expect that such leverage would not exceed, on a debt-to-equity basis, a 4-to-1 ratio. Our charter and bylaws do not restrict the amount of leverage that we may use. The amount of leverage we will deploy for particular investments in our target investments will depend upon our Manager's assessment of a variety of factors, which may include, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the gap between the duration of our assets and liabilities, including hedges, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy generally or in specific geographic regions and commercial mortgage markets, our outlook for

the level and volatility of interest rates, the slope of the yield curve, the credit quality of our assets, the collateral underlying our assets, and our outlook for asset spreads relative to the LIBOR curve.

PRINCIPAL LENDING INVESTMENT PROCESS

Our investment strategy is implemented through a rigorous credit-oriented evaluation, underwriting, investment and portfolio management process.

Origination

Our Manager identifies investment opportunities through its extensive network of relationships within the real estate and finance industries. In addition, our Manager may establish strategic alliances with third parties in order to enhance our access to opportunities. The efforts and sourcing relationships of our Manager's dedicated team of real estate investment professionals are complemented by those across all of Ares Management's broader team of investment professionals. Given Ares Management's long-term experience in the real estate and finance sectors, strong relationships exist with public and private real estate owners, investors, developers and operators with expertise across all real estate asset classes, as well as key intermediaries such as mortgage banker/brokerage firms, commercial banks, investment banks and commercial loan servicers. We believe these long-term relationships dramatically enhance our access to investment opportunities and improve the scale and scope of our loan origination efforts. Our Manager is focused on originating, evaluating, structuring, closing and investing in and managing customized short term floating rate CRE loans and long term fixed rate CRE loans.

Initial Screening

As soon as a potential investment opportunity arises, our Manager's investment team performs an initial credit analysis, including a quantitative and qualitative assessment of the investment, as well as research on the market and sponsor, to determine whether our Manager believes that it is beneficial to pursue the potential investment. Our Manager evaluates each investment opportunity based on its experience and expected risk-adjusted return relative to other comparable investment opportunities available to us in the market. Additionally, the investment is screened by our Manager to determine its impact on maintaining our REIT qualification and our exemption from registration under the 1940 Act. Prior to making an investment decision, our Manager determines whether an investment will cause the portfolio to be too heavily weighted to any specific borrower, asset class, or geographic location. In addition, as part of our initial consideration of each asset, we apply our proprietary loan pricing methodology, which incorporates inputs from different parts of the CRE lending market, including banks, commercial mortgage backed securities, or "CMBS," and our competitive landscape in both primary and secondary markets. The loan pricing methodology takes into account our dynamic cost of capital and is based on our view of the credit risk as well as the leverage level and yield to debt of each individual loan within each property and product type. Once the initial analysis is complete and the Manager determines to pursue an investment, the investment team will proceed to enter into a term sheet and will prepare an "Early Read Memo" for review by certain senior executives of our Manager, who will review and discuss the investment to determine (i) whether it fits within the investment strategy, (ii) whether it exhibits the appropriate risk/reward characteristics, and (iii) whether to continue to pursue the investment or to pass on the investment.

Underwriting/Due Diligence/Documentation

Our Manager employs a value-driven approach to underwriting and due diligence, consistent with the historic experience of our Manager's real estate investment professionals and Ares Management's historical investment strategy. Our Manager employs a rigorous, credit-oriented evaluation towards determining the risk/return profile of the opportunity and the appropriate pricing and structure for the

prospective investment, with specific reference to the strength of the transaction sponsor(s), the underlying real estate and the structure of the investment. Detailed financial modeling and analysis is used to assess the cash flow and debt service coverage characteristics of the properties as well as interest rate and prepayment analysis. Our focus is on current cash flows and potential risks to cash flow such as those associated with tenant credit quality, lease maturities, reversion to market level rental rates, vacancy and expenses. Cash flow analysis and market comparables are used to determine the current and projected stabilized value of the underlying collateral, assess the capacity to repay upon maturity either through a refinance or sale of the asset, as well as understand sensitivities to various potential changes in asset performance, market fundamentals and real estate capital markets. Our Manager performs extensive property and market-level due diligence, including, where appropriate, a competitive analysis, tenant profile and credit reviews, delinquency and default rates, market and industry research, supply and demand trends, shape of yield curves, recovery of various sectors and due diligence on the borrower and its sponsor(s), including meeting with the borrower's and sponsor's respective management teams, checking management's backgrounds and references and analyzing the governance structure of the borrower. The market research incorporates analysis of demographics, key fundamentals such as employment growth and population growth, comparable transactions and the competitive landscape, as well as an investigation into any legal risks. Our Manager's underwriting focus is also on understanding the broader capital structure of the transaction and ensuring that we have the appropriate controls and rights within the prospective investment. Our Manager visits the property, tours the market in which the property is located, reviews the borrower and sponsor(s) experience and capabilities in managing the collateral and executing the specific business plan. In the event that our Manager is considering the acquisition of CMBS, our Manager will undertake an extensive analysis of the underlying loans and careful review of the bond terms and conditions. Members of our Manager's investment team, along with outside legal counsel, complete legal due diligence (including title and insurance review) and document each investment. Our Manager may, as appropriate, engage third party advisors and/or consultants to conduct an engineering and environmental review of the collateral and provide a property condition report, Phase I environmental assessment and appraisal.

Our Manager enhances its due diligence and underwriting efforts by accessing Ares Management's extensive knowledge base and industry contacts. Ares Management has a long history investing across a number of industries that support and connect with the real estate sector, such as retail, logistics, residential real estate brokerage and hospitality/leisure. Our access to Ares Management's deep industry knowledge and relationships add an extra dimension to our Manager's perspective when evaluating the fundamental drivers underlying the real estate. Ares Management is a broad participant in the capital markets through its capital markets businesses and strategies. As Ares Management develops its views of the real estate markets and macroeconomic conditions and determines investment strategy, our Manager will benefit from Ares Management's insights into the broader capital markets and investment themes across the economy.

Final Investment Committee Approval

Upon completion of due diligence, the investment team will formally present the investment opportunity to our Manager's Investment Committee. Our Manager's Investment Committee is comprised of senior professionals from Ares Management and executive officers of our Manager. All principal lending investments made by us require approval by a majority of the members of our Manager's Investment Committee, although unanimous consent is sought in each case. Our Manager's Investment Committee meets regularly to evaluate potential investments and review material modifications to our investment portfolio. Additionally, the members of our Manager's Investment Committee are available to guide our Manager's investment professionals throughout their evaluation, underwriting and structuring of prospective investments. Generally, the investment team is responsible for presenting to our Manager's Investment Committee a credit memorandum on the investment opportunity that provides an in-depth overview of the collateral, borrower, due diligence conducted, key financial metrics and analyses, as well as investment considerations and the risks and their mitigants.

Investment Guidelines

We currently adhere to the following investment guidelines:

- our investments will be in our target investments;
- no investment will be made that would cause us to fail to qualify as a REIT;
- no investment will be made that would cause us or any of our subsidiaries to be required to be registered as an investment company under the 1940 Act;
- pending indication of appropriate investments in our target investments, our Manager may invest our available cash in interest-bearing, short-term investments, including money market accounts or funds, CMBS or corporate bonds, that are consistent with maintaining our qualification as a REIT; and
- all investments require the approval of our Manager's Investment Committee.

These investment guidelines may be changed from time to time by our board of directors without our stockholders' consent, but we expect to disclose any material changes to our investment guidelines in the periodic quarterly and annual reports that we will file with the SEC. In addition, our Manager is not subject to any limits or proportions with respect to the mix of target investments that we originate or acquire other than as necessary to maintain our qualification as a REIT and our exemption from registration under the 1940 Act.

We do not have a formal portfolio turnover policy, and currently do not intend to adopt one. Subject to maintaining our qualification as a REIT and our exemption from registration under the 1940 Act, we currently expect that we will typically hold assets that we originate or acquire for between two and ten years. However, in order to maximize returns and manage portfolio risk while remaining opportunistic, we may dispose of an asset earlier than anticipated or hold an asset longer than anticipated if we determine it to be appropriate depending upon prevailing market conditions or factors regarding a particular asset.

MORTGAGE BANKING INVESTMENT PROCESS

The team within ACRE Capital identifies investment opportunities through their origination team. The ACRE Capital team underwrites investments pursuant to Fannie Mae or HUD standards, as applicable. Investments are approved by a committee comprised of senior management within ACRE Capital, with certain senior executives of our Manager providing guidance and advice, particularly with respect to investments in excess of $15 million.

RISK MANAGEMENT

As part of our risk management strategy, our Manager closely monitors our portfolio and actively manages the financing, interest rate, credit, prepayment and convexity (a measure of the sensitivity of the duration of a debt investment to changes in interest rates) risks associated with holding a portfolio of our target investments.

Portfolio Management

We recognize the importance of active portfolio management in successful investing. Our Manager's portfolio management activities provide not only investment oversight, but also critical input into the origination and acquisition process. Upon closing a principal investment, our Manager immediately begins proactively managing the asset, including detailed compliance monitoring, regular communications with borrowers and sponsors and periodic property visits depending on the circumstances. Our Manager's portfolio management team has significant prior experience in all aspects

of primary and special servicing of CRE investments, as evidenced by the rating by Standard & Poor's of our Manager's servicing subsidiary as a commercial primary servicer and commercial special servicer that is included on Standard & Poor's Select Servicer List. We believe that having the primary and special servicing functions performed for us by our Manager enhances our portfolio performance by helping us control costs and ensure operational control over investments. As part of the risk management process, our Manager implements portfolio monitoring, loan servicing, finance and accounting procedures.

Our portfolio management process focuses on actively monitoring and managing an investment from origination to payment or maturity. Our proactive approach to portfolio management includes a risk rating system based on a uniform set of criteria, review of monthly property statements, active compliance monitoring, regular communications with borrowers and sponsors, monitoring the financial performance of the collateral, periodic property visits, monitoring cash management and reserve accounts and monthly joint meetings to review the performance of each investment. If securities are acquired, in the form of CMBS or corporate bank loans or bonds, our Manager is responsible for interacting with the servicer and/or trustee and reviewing in detail the monthly reports from the issuer. With respect to CMBS, if an investment underperforms the borrower's business plan, our Manager may access the loan servicer's portfolio management capabilities and will also be able to capitalize on Ares Management's experience in distressed credit and restructurings. Any material loan modification or amendment to a security requires the approval of our Manager's Investment Committee. We believe our proactive and regular portfolio management approach allows us to more accurately assess and manage the risk in our portfolio, and to build and maintain strong relationships with borrowers and their sponsors. We can provide no assurances that we will be successful in identifying or managing all of the risks associated with originating, acquiring, holding or disposing of a particular asset or that we will not realize losses on certain assets. The team within ACRE Capital similarly monitors and manages the risks in ACRE Capital's portfolio. See also "Investment Guidelines" above.

Interest Rate Hedging

Subject to maintaining our qualification as a REIT, we engage in a variety of interest rate management techniques that seek, on the one hand to mitigate the economic effect of interest rate changes on the values of, and returns on, some of our assets, and on the other hand help us achieve our risk management objectives. Under the U.S. federal income tax laws applicable to REITs, we generally are able to enter into certain transactions to hedge indebtedness that we may incur, or plan to incur, to originate, acquire or carry real estate assets, although our total gross income from interest rate hedges that do not meet certain requirements applicable to REITs under the Code and other non-qualifying income generally must not exceed 5% of our gross income as calculated for U.S. federal income tax purposes.

We may utilize derivative financial instruments, including, among others, puts and calls on securities or indices of securities, interest rate swaps, interest rate caps, exchange-traded derivatives, U.S. Treasury securities, options on U.S. Treasury securities and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our portfolio. Specifically, we may seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by interest rate fluctuations. In utilizing leverage and interest rate hedges, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of our financing. We rely on our Manager's expertise to manage these risks on our behalf.

The U.S. federal income tax rules applicable to REITs may require us to implement certain of these techniques through a TRS that is fully subject to U.S. federal corporate income taxation.

Currency Hedging

Subject to maintaining our qualification as a REIT, we may from time to time engage in hedging transactions that seek to mitigate the effects of fluctuations in currencies and their effect on our cash flows. These hedging transactions could take a variety of forms, including currency swaps or cap agreements, options, futures contracts, forward rate or currency agreements or similar financial instruments. We may employ foreign currency risk management strategies, including the use of, among others, currency hedges. We can provide no assurances, however, that our efforts to manage foreign currency exchange rate volatility will successfully mitigate the risks of such volatility on our portfolio.

Market Risk Management

Risk management is an integral component of our strategy to deliver returns to our stockholders. Because we invest in senior commercial mortgage loans and other debt investments, investment losses from prepayments, defaults, interest rate volatility or other risks can meaningfully reduce or eliminate funds available for distribution to our stockholders. In addition, because we employ financial leverage in funding our portfolio, mismatches in the maturities of our assets and liabilities can create risk in the need to continually renew or otherwise refinance our liabilities. Our net interest margin is dependent upon a positive spread between the returns on our portfolio and our overall cost of funding. To minimize the risks to our portfolio, we actively employ portfolio-wide and asset-specific risk measurement and management processes in our daily operations. Our Manager's risk management tools include software and services licensed or purchased from third parties, in addition to proprietary analytical methods developed by Ares Management. There can be no guarantee that these tools will protect us from market risks.

Credit Risk Management

While we seek to limit our credit losses through our investment strategy, there can be no assurance that we will be successful. However, we retain the risk of potential credit losses on all of the senior commercial mortgage loans and other commercial real-estate related debt investments that we originate or acquire. We seek to manage credit risk through our due diligence process prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate. In addition, with respect to any particular target investment, our Manager's investment team evaluates, among other things, relative valuation, comparable analysis, supply and demand trends, shape of yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

Our investment guidelines do not limit the amount of our equity that may be invested in any type of our target investments. Our investment decisions depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our equity that will be invested in any individual target investment at any given time.

OPERATING AND REGULATORY STRUCTURE

REIT Qualification

We have elected and qualified for taxation as a REIT. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code, relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT, and that our manner of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT.

As long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net taxable income that we distribute currently to our stockholders. If we fail to continue to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates beginning with the year in which we failed to qualify and may be precluded from being able to elect to be treated as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even though we currently qualify for taxation as a REIT, we may be subject to certain U.S. federal, state, local and foreign taxes on our income and property and to U.S. federal income and excise taxes on our undistributed REIT taxable income.

In connection with the Acquisition, we contributed the common units of ACRE Capital to TRS Holdings, a wholly owned subsidiary of ours. An entity classification election to be taxed as a corporation and a TRS election were made with respect to TRS Holdings. In addition, in December 2013, we formed a new wholly owned subsidiary, ACRC TRS, for which an entity classification election to be taxed as a corporation and a TRS election were made, in order to issue and hold certain loans intended for sale. A TRS is an entity taxed as a corporation other than a REIT in which a REIT directly or indirectly holds equity, and that has made a joint election with such REIT to be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by us without jeopardizing its qualification as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. In addition, as a REIT, we also may be subject to a 100% excise tax on certain transactions between us and our TRS that are not conducted on an arm's-length basis.

1940 Act Exemption

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, or the "40% test." Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company for private funds set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We are organized as a holding company that conducts its businesses primarily through wholly owned subsidiaries. We intend to conduct our operations so that we do not come within the definition of an investment company because less than 40% of the value of our adjusted total assets on an unconsolidated basis will consist of "investment securities." As such, the securities issued by any wholly owned or majority-owned subsidiaries that we may form in the future that are exempted from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our adjusted total assets on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned subsidiaries, we will be primarily engaged in the non-investment company businesses of these subsidiaries.

If the value of securities issued by our subsidiaries that are exempted from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds 40% of our adjusted total assets on an unconsolidated basis, or if one or more of such subsidiaries fail to maintain an exemption from the 1940 Act, we could, among other things, be required to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions which could have an adverse effect on our business and the market price for our shares of common stock.

We expect that certain of our subsidiaries that we may form in the future will rely upon the exemption from registration as an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exemption generally requires that at least 55% of these subsidiaries' assets comprise qualifying real estate assets and that at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. Specifically, we expect each of our subsidiaries relying on Section 3(c)(5)(C) to invest at least 55% of its assets in mortgage loans, certain mezzanine loans and B-Notes and other interests in real estate that constitute qualifying real estate assets in accordance with SEC staff guidance, and approximately an additional 25% of its assets in other types of mortgages, securities of REITs and other real estate-related assets. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets. The SEC has published only limited guidance with respect to the treatment of CMBS for purposes of the Section 3(c)(5)(C) exemption. Unless we receive further guidance from the SEC or its staff with respect to CMBS, we intend to treat CMBS in which we hold 100% of the "controlling class" of securities as qualifying real estate assets, and our other holdings in CMBS as real estate-related assets. The SEC may in the future take a view different than or contrary to our analysis with respect to the types of assets we have determined to be qualifying real estate assets. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

The SEC staff, according to published guidance, takes the view that certain mezzanine loans and B-Notes are qualifying real estate assets. Thus, we intend to treat certain mezzanine loans and B-Notes as qualifying real estate assets.

The SEC recently solicited public comment on a wide range of issues relating to Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the exemption and whether mortgage REITs should be regulated in a manner similar to investment companies. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including the SEC or its staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations. Although we monitor our portfolio periodically and prior to each investment origination or acquisition, there can be no assurance that we will be able to maintain this exemption from registration for these subsidiaries.

We expect that certain of our subsidiaries will rely on the exemption provided by Section 3(c)(6) to the extent that they hold mortgage assets through majority-owned subsidiaries that rely on Section 3(c)(5)(C). The SEC has issued little interpretive guidance with respect to Section 3(c)(6), and any guidance published by the staff could require us to adjust our strategy accordingly.

We determine whether an entity is one of our majority-owned subsidiaries. The 1940 Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat companies in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We have not requested the SEC to approve our treatment of any company as a majority-owned subsidiary and the SEC has not done so. If the SEC were to disagree with our treatment of one or more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the exceptions we and our subsidiaries rely on from the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

COMPETITION

Our net income depends, in part, on our ability to originate or acquire assets at favorable spreads over our borrowing costs. In our principal lending business, we compete with other public or private REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies, fund managers and other entities. In addition, there are numerous REITs with similar asset origination and acquisition objectives and others may be organized in the future. These other REITs will increase competition for the available supply of mortgage assets suitable for purchase and origination. Many of our competitors are significantly larger than we are and have considerably greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us, such as the U.S. Government. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In our mortgage banking business, we compete with commercial banks, commercial real estate service providers and insurance companies. In addition, future changes in laws, regulations and GSE and HUD program requirements could lead to the entry of more competitors. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Current market conditions may attract more competitors, which may increase the competition for sources of financing. An increase in the competition for sources of funding could adversely affect the availability and cost of financing, and thereby adversely affect the market price of our common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Impacting Our Operating Results—Market Conditions."

In the face of this competition, we have access to our Manager's and Ares Management's professionals, the ACRE Capital team and their collective industry expertise, which may provide us with a competitive advantage and help us assess investment risks and determine appropriate pricing for certain potential investments. These relationships enable us to compete more effectively for attractive investment opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, see "Risk Factors—Risks Related to Our Investments—We operate in a competitive market for investment opportunities and loan originations and competition may limit our ability to originate or acquire desirable investments in our target investments and could also affect the pricing of these securities."

STAFFING

We are externally managed by our Manager pursuant to the management agreement between our Manager and us. Our executive officers also serve as officers of our Manager. Although ACRE does not have any employees, ACRE Capital employs approximately 90 employees.

MANAGEMENT AGREEMENT

We have entered into a management agreement with our Manager pursuant to which it provides for the day-to-day management of our operations. The management agreement requires our Manager to manage our business affairs in conformity with the investment guidelines and policies that are approved and monitored by our board of directors. Our Manager's role as Manager is under the supervision and direction of our board of directors.

Management Services

Our Manager is responsible for (a) the selection, the origination or purchase and the sale, of our portfolio investments, (b) our financing activities and (c) providing us with investment advisory services. Our Manager is responsible for our day-to-day operations and will perform (or will cause to be performed) such services and activities relating to our assets and operations as may be appropriate, which may include, without limitation, the following:

(i) serving as our consultant with respect to the periodic review of the investment guidelines and other parameters for our investments, financing activities and operations, any modification to which will be approved by our board of directors;

(ii) investigating, analyzing and selecting possible investment opportunities and originating, acquiring, financing, retaining, selling, restructuring or disposing of investments consistent with the investment guidelines;

(iii) with respect to prospective purchases, sales or exchanges of investments, conducting negotiations on our behalf with sellers, purchasers and brokers and, if applicable, their respective agents and representatives;

(iv) negotiating and entering into, on our behalf, repurchase agreements, interest rate swap agreements and other agreements and instruments required for us to conduct our business;

(v) engaging and supervising, on our behalf and at our expense, independent contractors that provide investment banking, securities brokerage, mortgage brokerage and other financial services, due diligence services, underwriting review services, legal and accounting services, and all other services (including transfer agent and registrar services) as may be required relating to our operations or investments (or potential investments);

(vi) coordinating and managing operations of any joint venture or co-investment interests held by us and conducting all matters with the joint venture or co-investment partners;

(vii) providing executive and administrative personnel, office space and office services required in rendering services to us;

(viii) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to our management as may be agreed upon by our Manager and our board of directors, including the collection of revenues and the payment of our debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

(ix) communicating on our behalf with the holders of any of our equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or

trading markets and to maintain effective relations with such holders, including website maintenance, logo design, analyst presentations, investor conferences and annual meeting arrangements;

(x) counseling us in connection with policy decisions to be made by our board of directors;

(xi) evaluating and recommending to our board of directors hedging strategies and engaging in hedging activities on our behalf, consistent with such strategies as so modified from time to time, with our qualification as a REIT and with our investment guidelines;

(xii) counseling us regarding the maintenance of our qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Code and Treasury Regulations thereunder and using commercially reasonable efforts to cause us to maintain such qualification for taxation as a REIT;

(xiii) counseling us regarding the maintenance of our exemption from the status of an investment company required to register under the 1940 Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause us to maintain such exemption from such status;

(xiv) furnishing reports and statistical and economic research to us regarding our activities and services performed for us by our Manager;

(xv) monitoring the operating performance of our investments and providing periodic reports with respect thereto to the board of directors, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xvi) investing and reinvesting any moneys and securities of ours (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses, or payments of dividends or distributions to our stockholders and partners) and advising us as to our capital structure and capital raising;

(xvii) causing us to retain qualified accountants and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations and compliance with the provisions of the Code applicable to REITs and TRSs, and to conduct quarterly compliance reviews with respect thereto;

(xviii) assisting us in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xix) assisting us in complying with all regulatory requirements applicable to us in respect of our business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Securities and Exchange Act of 1934, as amended, or the "Exchange Act," or the Securities Act or by the NYSE;

(xx) assisting us in taking all necessary action to enable us to make required tax filings and reports, including soliciting stockholders for required information to the extent required by the provisions of the Code applicable to REITs;

(xxi) placing, or arranging for the placement of, all orders pursuant to our Manager's investment determinations for us either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

(xxii) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which we may be involved or to

which we may be subject arising out of our day-to-day operations (other than with our Manager or its affiliates), subject to such limitations or parameters as may be imposed from time to time by the board of directors;

(xxiii) using commercially reasonable efforts to cause expenses incurred by us or on our behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the board of directors from time to time;

(xxiv) advising us with respect to and structuring long-term financing vehicles for our portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

(xxv) forming an Investment Committee;

(xxvi) forming an Underwriting Committee;

(xxvii) serving as our consultant with respect to decisions regarding any of our financings, hedging activities or borrowings undertaken by us, including (A) assisting us in developing criteria for debt and equity financing that is specifically tailored to our investment objectives, and (B) advising us with respect to obtaining appropriate financing for our investments;

(xxviii) providing us with portfolio management services and monitoring services;

(xxix) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business;

(xxx) performing such other services as may be required from time to time for management and other activities relating to our assets and business as our board of directors shall reasonably request or our Manager shall deem appropriate under the particular circumstances; and

(xxxi) using commercially reasonable efforts to cause us to comply with all applicable laws.

Liability and Indemnification

Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith. It will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations, including as set forth in the investment guidelines. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. However, to the extent that employees of our Manager also serve as officers of the Company, such officers will owe us duties under Maryland law in their capacity as officers of the Company, which may include the duty to exercise reasonable care in the performance of such officers' responsibilities, as well as the duties of loyalty, good faith and candid disclosure. Under the terms of the management agreement, our Manager and its affiliates, and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to our Manager, will not be liable to us, our directors, stockholders, partners or members for any acts or omissions (including errors that may result from ordinary negligence, such as errors in the investment decision-making process or in the trade process) performed in accordance with and pursuant to the management agreement, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement, as determined by a final non-appealable order of a court of competent jurisdiction. We have agreed to indemnify our Manager, its affiliates and any of their officers, stockholders, members, partners, managers, directors, personnel, employees, consultants and any person providing sub-advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, arising from acts or omissions performed in good faith in accordance

with and pursuant to the management agreement. Our Manager has agreed to indemnify us, our directors, officers, stockholders, partners or members and any persons controlling us with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of our Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties under the management agreement or any claims by our Manager's employees relating to the terms and conditions of their employment by our Manager. Notwithstanding the foregoing, our Manager carries errors and omissions and other customary insurance coverage.

Management Team

Pursuant to the terms of the management agreement, our Manager is required to provide us with our management team, along with appropriate support personnel, to provide the management services to be provided by our Manager to us. None of such persons are employed directly by us, nor will they be dedicated exclusively to us. Members of our management team are required to devote such time as is necessary and appropriate commensurate with the level of our activity.

Our Manager is required to refrain from any action that, in its sole judgment made in good faith, (a) is not in compliance with the investment guidelines, (b) would adversely and materially affect our qualification as a REIT under the Code or our status as an entity intended to be exempted or excluded from investment company status under the 1940 Act, or (c) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over us or of any exchange on which our securities may be listed or that would otherwise not be permitted by our charter or bylaws. If our Manager is ordered to take any action by our board of directors, our Manager will promptly notify the board of directors if it is our Manager's judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation or our charter or bylaws. Our Manager, its affiliates and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to our Manager will not be liable to us, our board of directors, our stockholders, partners or members, for any act or omission by our Manager or any of its affiliates, except as provided in the management agreement.

Term and Termination

The management agreement may be amended or modified by agreement between us and our Manager. The initial term of the management agreement expires on May 1, 2015, and will be automatically renewed for a one-year term each anniversary date thereafter unless previously terminated as described below. Our independent directors will review our Manager's performance and the management fees annually and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, based upon (a) unsatisfactory performance that is materially detrimental to us. taken as a whole, or (b) our determination that the management fees payable to our Manager are not fair, subject to our Manager's right to prevent such termination due to unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. We must provide 180 days' prior written notice of any such termination. Unless terminated for cause, our Manager will be paid a termination fee equal to three times the sum of the average annual base management fee and incentive fee during the 24-month period immediately preceding the most recently completed fiscal quarter prior to the date of termination.

We may also terminate the management agreement at any time, including during the initial term, without the payment of any termination fee, with 30 days' prior written notice from our board of directors for cause, which is defined as:

- our Manager's continued breach of any material provision of the management agreement following a period of 30 days after written notice thereof (or 45 days after written notice of such breach if our Manager, under certain circumstances, has taken steps to cure such breach within 30 days of the written notice);

- the commencement of any proceeding relating to the bankruptcy or insolvency of our Manager, including an order for relief in an involuntary bankruptcy case or our Manager authorizing or filing a voluntary bankruptcy petition;

- any change of control of our Manager which a majority of our independent directors determines is materially detrimental to us taken as a whole;

- our Manager committing fraud against us, misappropriating or embezzling our funds, or acting, or failing to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under the management agreement; *provided , however* , that if any of these actions is caused by an employee of our Manager or one of its affiliates and our Manager (or such affiliate) takes all necessary and appropriate action against such person and cures the damage caused by such actions within 30 days of our Manager's actual knowledge of its commission or omission, the management agreement shall not be terminable; and

- the dissolution of our Manager.

During the initial three-year term of the management agreement, we may not terminate the management agreement except for cause.

Our Manager may assign the agreement in its entirety or delegate certain of its duties under the management agreement to any of its affiliates without the approval of our independent directors if such assignment or delegation does not require our approval under the 1940 Act.

Our Manager may terminate the management agreement if we become required to register as an investment company under the 1940 Act, with such termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee. Our Manager may decline to renew the management agreement by providing us with 180 days' written notice, in which case we would not be required to pay a termination fee. In addition, if we default in the performance of any material term of the agreement and the default continues for a period of 30 days after written notice to us specifying such default and requesting the same be remedied in 30 days, our Manager may terminate the management agreement upon 60 days' written notice. If the management agreement is terminated by our Manager upon our breach, we would be required to pay our Manager the termination fee described above.

We may not assign our rights or responsibilities under the management agreement without the prior written consent of our Manager, except in the case of assignment to another REIT or other organization which is our successor, in which case such successor organization will be bound under the management agreement and by the terms of such assignment in the same manner as we are bound under the management agreement.

Management Fees, Incentive Fees and Expense Reimbursements

ACRE does not employ any personnel; we rely on the resources of our Manager to manage our day-to-day operations (other than the operations of our TRS, ACRE Capital, which has employees that provide certain services in connection with our mortgage banking business).

Base Management Fee

We pay our Manager a base management fee equal to 1.5% of our stockholders' equity per annum, which is calculated and payable quarterly in arrears in cash. For purposes of calculating the base management fee, our stockholders' equity means: (a) the sum of (i) the net proceeds from all issuances of our equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (ii) our retained earnings at the end of the most

recently completed fiscal quarter, determined in accordance with GAAP (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) (x) any amount that we have paid to repurchase our common stock since inception, (y) any unrealized gains and losses and other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, and (z) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between our Manager and our independent directors and approval by a majority of our independent directors. As a result, our stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. Our Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel who, notwithstanding that certain of them also are our officers, receive no cash compensation directly from us. The management fee is payable independent of the performance of our portfolio.

The management fee of our Manager is calculated within 30 days after the end of each fiscal quarter. We are obligated to pay the management fee in cash within five business days after delivery to us of the written statement of our Manager setting forth the computation of the management fee for such quarter. The base management fee paid to our Manager for the years ended December 31, 2013 and 2012 was $4.2 million and $1.7 million, respectively.

Incentive Fee

We pay our Manager an incentive fee with respect to each fiscal quarter (or part thereof that the management agreement is in effect) in arrears in cash. The incentive fee is an amount, not less than zero, equal to the difference between: (a) the product of (i) 20% and (ii) the difference between (A) our Core Earnings (as defined below) for the previous 12-month period, and (B) the product of (1) the weighted average issue price per share of our common stock of all of our public offerings of common stock multiplied by the weighted average number of shares of common stock outstanding (including any restricted shares of our common stock, restricted stock units or any shares of our common stock not yet issued, but underlying other awards granted under our 2012 Equity Incentive Plan) in the previous 12-month period, and (2) 8%; and (b) the sum of any incentive fees earned by our Manager with respect to the first three fiscal quarters of such previous 12-month period; *provided* , *however* , that no incentive fee is payable with respect to any fiscal quarter unless cumulative Core Earnings for the 12 most recently completed fiscal quarters is greater than zero. "Core Earnings" is a measure not prepared in accordance with GAAP and is defined as GAAP net income (loss) excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization (related to targeted investments that are structured as debt to the extent that we foreclose on any properties underlying our target investments), any unrealized gains, losses or other non-cash items that are included in net income (loss) for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss). The amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between our Manager and our independent directors and after approval by a majority of our independent directors. No incentive fees were earned for the years ended December 31, 2013 and 2012.

Pursuant to the calculation formula, if Core Earnings increases from one quarter to the next and the weighted average share price and weighted average number of shares of common stock outstanding remain constant, the incentive fee will generally increase.

For purposes of calculating the incentive fee prior to the completion of a 12-month period in which the management agreement has been in effect, Core Earnings will be calculated on the basis of the number of days that the management agreement has been in effect on an annualized basis.

Our Manager will compute each quarterly installment of the incentive fee within 45 days after the end of the fiscal quarter with respect to which such installment is payable and promptly deliver such calculation to our board of directors. The amount of the installment shown in the calculation will be due and payable no later than the date which is five business days after the date of delivery of such computation to our board of directors.

Reimbursement of Expenses

We reimburse our Manager for the expenses described below. Expense reimbursements to our Manager are made in cash on a monthly basis following the end of each month or when billed by our Manager. Because our Manager's personnel perform certain legal, accounting, due diligence tasks and other services that outside professionals or outside consultants otherwise would perform, our Manager is paid or reimbursed for the documented cost of performing such tasks, provided that such costs and reimbursements are in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

We also pay all operating expenses, except those specifically required to be borne by our Manager under the management agreement. The expenses required to be paid by us include, but are not limited to:

- expenses in connection with the issuance and transaction costs incident to the origination, acquisition, disposition and financing of our investments;
- costs of legal, financial, tax, accounting, servicing, due diligence consulting, auditing and other similar services rendered for us by providers retained by our Manager or, if provided by our Manager's personnel, in amounts that are no greater than those that would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;
- the compensation and expenses of our directors and the cost of liability insurance to indemnify our directors and officers and our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premium;
- costs associated with the establishment and maintenance of any of our secured funding agreements, other financing arrangements, or other indebtedness of ours (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of our securities offerings;
- expenses connected with communications to holders of our securities and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including all costs of preparing and filing required reports with the SEC, the costs payable by us to any transfer agent and registrar in connection with the listing and/or trading of our securities on any exchange, the fees payable by us to any such exchange in connection with its listing, costs of preparing, printing and mailing our annual report to our stockholders and proxy materials with respect to any meeting of our stockholders;
- costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for us;
- expenses incurred by managers, officers, personnel and agents of our Manager for travel on our behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of our Manager in connection with the purchase, financing, refinancing, sale or other disposition of

an investment or establishment and maintenance of any of our securitizations or any of our securities offerings;

- costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees and expenses;
- compensation and expenses of our custodian and transfer agent, if any;
- the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;
- all federal, state and local taxes and license fees;
- all insurance costs incurred in connection with the operation of our business except for the costs attributable to the insurance that our Manager elects to carry for itself and its personnel;
- costs and expenses incurred in contracting with third parties;
- all other costs and expenses relating to our business and investment operations, including the costs and expenses of originating, acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;
- expenses (including our pro rata portion of rent, telephone, printing, mailing, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses) relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, maintained for us or our investments or the investments of our Manager or their affiliates required for our operation (collectively, "Overhead Expenses");
- expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the board of directors to or on account of holders of our securities, including in connection with any dividend reinvestment plan;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against us, or against any trustee, director, partner, member or officer of us or in his or her capacity as such for which we are required to indemnify such trustee, director, partner, member or officer by any court or governmental agency;
- expenses connected with calculating Core Earnings (including the cost and expenses of any independent valuation firm); and
- all other expenses actually incurred by our Manager (except as described below) which are reasonably necessary for the performance by our Manager of its duties and functions under the management agreement.

We do not reimburse our Manager for the salaries and other compensation of its personnel, except for the allocable share of the salaries and other compensation of our (a) Chief Financial Officer, based on the percentage of his time spent on the Company's affairs and (b) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment professional personnel of our Manager or its affiliates who spend all or a portion of their time managing our affairs based on the percentage of their time spent on the Company's affairs (collectively, "Personnel Expenses").

Effective as of September 30, 2013, we entered into an amendment to the Management Agreement (the "Restricted Cost Amendment") with our Manager whereby our Manager agreed not to seek reimbursement of Restricted Costs (as defined below), in excess of $1.0 million per quarter for the quarterly periods ending on September 30, 2013, December 31, 2013, March 31, 2014 and June 30, 2014. "Restricted Costs" means Personnel Expenses and Overhead Expenses incurred in the ordinary course of our origination business and do not include any Personnel Expenses or Overhead Expenses

that were incurred in connection with transactions outside our ordinary course of business, including without limitation, transactions for the acquisition of a portfolio of investments or for the acquisition of another company or its assets and business.

AVAILABLE INFORMATION

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information is available free of charge by calling us collect at (312) 252-7500 or on our website at *www.arescre.com.* The information on our website is not deemed incorporated by reference in this annual report. You also may inspect and copy these reports, proxy statements and other information, as well as the annual report and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet site at *www.sec.gov* . Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov* , or by writing the SEC's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549.

Item 1A. Risk Factors

RISK FACTORS

You should carefully consider these risk factors, together with all of the other information included in this annual report, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the value of our common stock and the trading price of our securities could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR RELATIONSHIP WITH OUR MANAGER AND ITS AFFILIATES

Our future success depends on our Manager, its key personnel and their access to the investment professionals of Ares Management. We may not find a suitable replacement for our Manager if our management agreement is terminated, or if such key personnel or investment professionals leave the employment of our Manager or Ares Management or otherwise become unavailable to us.

ACRE does not employ any personnel; we rely on the resources of our Manager to manage our day-to-day operations (other than the operations of our TRS, ACRE Capital, which has employees that provide certain services in connection with our mortgage banking business). We rely completely on our Manager to provide us with investment advisory services

Our executive officers also serve as officers of our Manager. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the officers and key personnel of our Manager. The officers and key personnel of our Manager evaluate, negotiate, close and monitor our investments; therefore, our success depends on their continued service. The departure of any of the officers or key personnel of our Manager could have a material adverse effect on our business.

Our Manager is not obligated to dedicate any specific personnel exclusively to us. None of our officers are obligated to dedicate any specific portion of their time to our business. Each of them has significant responsibilities for other investment vehicles managed by affiliates of Ares Management. As a result, these individuals may not always be able to devote sufficient time to the management of our business. Further, when there are turbulent conditions in the real estate markets or distress in the credit markets, the attention of our Manager's personnel and our executive officers and the resources of Ares Management will also be required by other investment vehicles managed by affiliates of Ares Management.

In addition, we offer no assurance that our Manager will remain our investment manager or that we will continue to have access to our Manager's officers and key personnel. The initial term of our management agreement with our Manager expires on May 1, 2015, and will be automatically renewed for one-year terms thereafter. Furthermore, our Manager may decline to renew the management agreement with 180 days' written notice. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our investment strategy.

We also depend on the diligence, skill and network of business contacts of key personnel of the Ares Management Direct Lending Group and access to the investment professionals of other groups within Ares Management and the information and deal flow generated by Ares Management's investment professionals in the course of their investment and portfolio management activities. The departure of any of these individuals, or of a significant number of the investment professionals or partners of Ares Management, could have a material adverse effect on our business, financial condition

or results of operations. We cannot assure you that we will continue to have access to Ares Management's investment professionals or its information and deal flow.

Our growth depends on the ability of our Manager to make investments on favorable terms that satisfy our investment strategy and otherwise generate attractive risk-adjusted returns initially and consistently from time to time.

Our ability to achieve our investment objectives depends on our ability to grow, which depends, in turn, on the management and investment teams of our Manager and their ability to identify and to make investments on favorable terms in our target investments as well as on our access to financing on acceptable terms. The demands on the time of the professional staff of our Manager will increase as our portfolio grows, and we cannot assure you that our Manager will be able to hire, train, supervise, manage and retain new officers and employees to manage future growth effectively, and any such failure could have a material adverse effect on our business.

There are various conflicts of interest in our relationship with our Manager and Ares Management that could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with our Manager and Ares Management. In the future, we may enter into additional transactions with Ares Management or its affiliates. In particular, we may invest in, acquire, sell assets to or provide financing to portfolio companies of investment vehicles managed by Ares Management or its affiliates or co-invest with, purchase assets from, sell assets to, or arrange financing from any such investment vehicles and their portfolio companies. Any such transactions will require approval by a majority of our independent directors. There can be no assurance that any procedural protections will be sufficient to ensure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm's-length transaction. In addition, to the extent we co-invest with other investment vehicles that are managed by affiliates of Ares Management, we will not be responsible for fees other than as set forth in our management agreement, except our proportionate share of fees charged by the managers of such other investment vehicles if approved by a majority of our independent directors.

Our Manager and Ares Management have agreed that for so long as our Manager is managing us, neither Ares Management nor any of its affiliates will sponsor or manage any other U.S. publicly traded REIT that invests primarily in the same asset classes as us. Ares Management and its affiliates may sponsor or manage another U.S. publicly traded REIT that invests generally in real estate assets but not primarily in our target investments.

Other than as set forth herein, neither Ares Management nor any of its affiliates (including our Manager) currently manages any other investment vehicle that primarily focuses on our target investments and none of them have any current plans to do so, but they may in the future sponsor or manage other funds or investment vehicles (other than U.S. publicly traded REITs) that invest in our target investments. Our Manager manages certain funds and real estate assets that were previously managed by Wrightwood Capital LLC, or "Wrightwood." Ares Management acquired the investment platform of Wrightwood, a provider of debt capital to the U.S. CRE sector, in August 2011. None of the Wrightwood vehicles will be making any further investments (other than follow-on investments in existing investments and additional fundings pursuant to existing commitments).

Ares Management has an investment allocation policy in place that is intended to enable us to share equitably with any other investment vehicles that are managed by Ares Management. In general, investment opportunities are allocated taking into consideration various factors, including, among others, the relevant investment vehicles' available capital, their investment objectives or strategies, their risk profiles and their existing or prior positions in an issuer/security, as well as potential conflicts of

interest, the nature of the opportunity and market conditions. The investment allocation policy may be amended by our Manager and Ares Management at any time without our consent.

Certain former Wrightwood personnel who are members of the Ares Management Real Estate Group own equity, partnership, profits or other similar interests in Wrightwood and certain of its investment vehicles. The ownership of such interests may be viewed as creating a conflict of interest insofar as such persons may receive greater benefits, by virtue of such interests, than they would receive from our Manager.

In addition to the fees payable to our Manager under the management agreement, our Manager and its affiliates may benefit from other fees paid to it in respect of our investments. For example, if we seek to securitize our CRE loans, Ares Management and/or our Manager, may act as collateral manager. In any of these or other capacities, Ares Management and/or our Manager may receive market-based fees for their roles, but only if approved by a majority of our independent directors.

The ability of our Manager and its officers and employees to engage in other business activities may reduce the time our Manager spends managing our business and may result in certain conflicts of interest.

Certain of our officers and directors, and the officers and other personnel of our Manager, also serve or may serve as officers, directors or partners of Ares Management, as well as Ares Management sponsored investment vehicles, including new affiliated potential pooled investment vehicles or managed accounts not yet established, whether managed or sponsored by Ares Management's affiliates or our Manager. Accordingly, the ability of our Manager and its officers and employees to engage in other business activities may reduce the time our Manager spends managing our business. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our Manager and its officers and employees will not be devoted exclusively to the business of the Company; instead it will be allocated between the business of the Company and the management of these other investment vehicles.

In the course of our investing activities, we will pay base management fees to our Manager and will reimburse our Manager for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. As a result of this arrangement, our Manager's interests may be less aligned with our interests.

The management agreement with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

ACRE does not employ any personnel and we rely completely on our Manager to provide us with investment advisory services. Our executive officers also serve as officers of our Manager. Our management agreement with our Manager 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.

We will pay our Manager substantial base management fees regardless of the performance of our portfolio. Our Manager's entitlement to a base management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. This in turn could hurt both our ability to make distributions to our stockholders and the market price of our common stock.

Terminating the management agreement for unsatisfactory performance of the Manager or electing not to renew the management agreement may be difficult and terminating the agreement in certain circumstances requires payment of a substantial termination fee.

Termination of the management agreement with our Manager without cause is difficult and costly. Our independent directors will review our Manager's performance and the management fees annually and, upon 180 days' written notice prior to the expiration of the initial three-year term that expires on May 1, 2015, or any renewal term, the management agreement may be terminated upon the affirmative vote of at least two-thirds of our independent directors based upon: (a) our Manager's unsatisfactory performance that is materially detrimental to us; or (b) a determination that the management fees payable to our Manager are not fair, subject to our Manager's right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. Additionally, upon any such termination, the management agreement provides that we will pay our Manager a termination fee equal to three times the sum of the average annual base management fee and incentive fee received by our Manager during the 24-month period before such termination, calculated as of the end of the most recently completed fiscal quarter. This provision increases the cost to us of terminating the management agreement and adversely affects our ability to terminate our Manager without cause.

During the initial three-year term of the management agreement, we may not terminate the management agreement except for cause.

Our Manager's contractual commitment to manage us is limited to the initial three-year term of the management agreement.

Our Manager is only contractually committed to serve us until May 1, 2015. Thereafter, the management agreement automatically renews for one-year terms if our Manager has not elected to terminate the management agreement upon 180 days' written notice prior to the expiration of the then-current term. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our investment strategy.

The incentive fee payable to our Manager under the management agreement may cause our Manager to select investments in riskier assets to increase its incentive compensation.

Our Manager is entitled to receive incentive compensation based upon our achievement of targeted levels of Core Earnings. "Core Earnings" is defined in our management agreement as GAAP net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization (to the extent that any of our target investments are structured as debt and we foreclose on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), and one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between our Manager and our independent directors and after approval by a majority of our independent directors. For purposes of calculating the incentive fee prior to the completion of a 12-month, Core Earnings is calculated on the basis of the number of days that our management agreement has been in effect on an annualized basis. No incentive fees were earned for the years ended December 31, 2013 and 2012. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on Core Earnings may lead our Manager to place undue emphasis on the maximization of Core Earnings at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

Our Manager manages our portfolio in accordance with very broad investment guidelines and our board of directors does not approve each investment and financing decision made by our Manager, which may result in our making riskier investments than those currently comprising our investment portfolio.

While our directors periodically review our investment portfolio, they do not review all of our proposed investments. In addition, in conducting periodic reviews, our directors may rely primarily on information provided to them by our Manager. Our investment guidelines may be changed from time to time. Furthermore, our Manager may use complex strategies and transactions entered into by our Manager that may be difficult or impossible to unwind by the time they are reviewed by our directors. Our Manager has great latitude in determining the types of assets that are proper investments for us, which could result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results. In addition, our Manager is not subject to any limits or proportions with respect to the mix of target investments that we originate or acquire other than as necessary to maintain our qualification as a REIT and our exemption from registration under the 1940 Act. Decisions made and investments entered into by our Manager may not fully reflect your best interests.

Our Manager may change its investment process, or elect not to follow it, without stockholder consent at any time, which may adversely affect our investments.

Our Manager may change its investment process without stockholder consent at any time. In addition, there can be no assurance that our Manager will follow its investment process in relation to the identification and underwriting of prospective investments. Changes in our Manager's investment process may result in inferior, among other things, due diligence and underwriting standards, which may adversely affect the performance of our portfolio.

We do not have a policy that expressly prohibits our directors, officers, stockholders or affiliates from engaging for their own account in business activities of the types conducted by us.

We do not have a policy that expressly prohibits our directors, officers, stockholders or affiliates from engaging for their own account in business activities of the types conducted by us. However, our code of business conduct and ethics contains a conflicts of interest policy that prohibits our directors, officers and employees from engaging in any transaction that involves an actual conflict of interest with us without the approval of the audit committee of our board of directors. In addition, our management agreement with our Manager does not prevent our Manager and its affiliates from engaging in additional management or investment opportunities, some of which could compete with us, and our code of business conduct and ethics acknowledges that such activities shall not be deemed a conflict of interest.

Our Manager is subject to extensive regulation as an investment adviser, which could adversely affect its ability to manage our business.

Our Manager is subject to regulation as an investment adviser by various regulatory authorities that are charged with protecting the interests of its clients, including us. Instances of criminal activity and fraud by participants in the investment management industry and disclosures of trading and other abuses by participants in the financial services industry have led the U.S. government and regulators to consider increasing the rules and regulations governing, and oversight of, the U.S. financial system. This activity is expected to result in changes to the laws and regulations governing the investment management industry and more aggressive enforcement of the existing laws and regulations. Our Manager could be subject to civil liability, criminal liability, or sanction, including revocation of its registration as an investment adviser, revocation of the licenses of its employees, censures, fines, or temporary suspension or permanent bar from conducting business, if it is found to have violated any of

these laws or regulations. Any such liability or sanction could adversely affect our Manager's ability to manage our business. Our Manager must continually address conflicts between its interests and those of its clients, including us. In addition, the SEC and other regulators have increased their scrutiny of potential conflicts of interest. Our Manager has procedures and controls that are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex and difficult and if our Manager fails, or appears to fail, to deal appropriately with conflicts of interest, it could face litigation or regulatory proceedings or penalties, any of which could adversely affect its ability to manage our business.

We may not replicate Ares Management's historical performance.

We cannot assure you that we will replicate Ares Management's historical performance, and we caution you that our investment returns could be substantially lower than the returns achieved by other entities managed by Ares Management or its affiliates. Although such funds share our general objective of targeting investments in senior secured debt, each of them is or has been focused on making senior debt investments secured primarily by the corporate assets of their borrowers and none of them target investments in senior or any other loans secured by CRE, which is our specific investment objective.

We do not own the Ares name, but we may use the name pursuant to a license agreement with Ares Management. Use of the name by other parties or the termination of our license agreement may harm our business.

We have entered into a license agreement with Ares Management pursuant to which it has granted us a non-exclusive, royalty-free license to use the name "Ares." Under this agreement, we have a right to use this name for so long as Ares Commercial Real Estate Management LLC serves as our Manager pursuant to the management agreement. Ares Management retains the right to continue using the "Ares" name. We cannot preclude Ares Management from licensing or transferring the ownership of the "Ares" name to third parties, some of whom may compete with us. Consequently, we would be unable to prevent any damage to goodwill that may occur as a result of the activities of Ares Management or others. Furthermore, in the event that the license agreement is terminated, we will be required to change our name and cease using the name. Any of these events could disrupt our recognition in the market place, damage any goodwill we may have generated and otherwise harm our business. The license agreement may be terminated by either party without penalty upon 180 days written notice to the other.

Our Manager's and Ares Management's liability is limited under the management agreement, and we have agreed to indemnify our Manager against certain liabilities. As a result, we could experience poor performance or losses for which our Manager would not be liable.

Pursuant to the management agreement, our Manager does not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Under the terms of the management agreement, our Manager, its officers, members, managers, directors, personnel, any person controlling or controlled by our Manager, including Ares Management, and any person providing services to our Manager will not be liable to us, any subsidiary of ours, our stockholders or partners or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the management agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement. In addition, we have agreed to indemnify our Manager, its officers, stockholders, members, managers, directors, personnel, any person controlling or controlled by our Manager and any person providing services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence,

or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

Our Manager and its affiliates, including Ares Management, have limited experience managing a portfolio of assets in the manner necessary to maintain our exemption under the 1940 Act.

In order to maintain our exemption from registration under the 1940 Act, the assets in our portfolio are subject to certain restrictions that limit our operations meaningfully. Our Manager and its affiliates, including Ares Management, have limited experience managing a portfolio in the manner necessary to maintain our exemption from registration under the 1940 Act.

RISKS RELATED TO OUR COMPANY GENERALLY

We have limited operating history and may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.

We were organized on September 1, 2011, completed our IPO on May 1, 2012 and have limited operating history. We cannot assure you that we will be able to operate our business successfully or implement our operating policies and strategies as described in this annual report. The results of our operations depend on several factors, including the availability of opportunities for the origination or acquisition of target investments, the level and volatility of interest rates, the availability of adequate short and long-term financing, conditions in the financial markets and economic conditions. In addition, our future operating results and financial data may vary materially from the historical operating results and financial data contained in this annual report because of a number of factors, including costs and expenses associated with the management agreement and being a public company. Consequently, the historical financial statements contained in this annual report may not be useful in assessing our likely future performance.

Our board of directors may change our investment strategy or guidelines, financing strategy or leverage policies without stockholder consent.

Our board of directors may change our investment strategy or guidelines, financing strategy or leverage policies with respect to investments, originations, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time without the consent of our stockholders, which could result in an investment portfolio with a different risk profile than that of our current investment portfolio or of a portfolio comprised of our target investments. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations. Furthermore, a change in our asset allocation could result in our making investments in asset categories different from those described in this annual report. These changes could adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

Changes in laws or regulations governing our operations, changes in the interpretation thereof or newly enacted laws or regulations (including, without limitation, laws and regulations having the effect of exempting mortgage REITs from the 1940 Act) and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business.

We are subject to regulation by laws and regulations at the local, state and federal levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with current or

new laws or regulations or such changes thereto, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business. Furthermore, if regulatory capital requirements imposed on our private lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Many of the provisions of the Dodd-Frank Act have had extended implementation periods and delayed effective dates and have required extensive rulemaking by regulatory authorities. While many of the rules required to be written have been promulgated, some have not yet been implemented. Although the full impact of the Dodd-Frank Act on us may not be known for an extended period of time, the Dodd-Frank Act, including the rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

If we do not obtain and maintain the appropriate state licenses, we will not be allowed to originate or service real estate loans in some states, which could materially and adversely affect us.

State mortgage loan finance licensing laws vary considerably. Many states and the District of Columbia impose a licensing obligation to originate or purchase real estate loans. Many of these mortgage loan licensing laws also impose a licensing obligation to service real estate loans. If we are unable to obtain the appropriate state licenses or do not qualify for an exemption, we could be materially and adversely affected.

If these licenses are obtained, state regulators impose additional ongoing obligations on licensees, such as maintaining certain minimum net worth or line of credit requirements. The minimum net worth requirements vary from state to state. Further, in limited instances, the net worth calculation may not include recourse on any contingent liabilities. If we do not meet these minimum net worth or line of credit requirements or satisfy other criteria, regulators may revoke or suspend our licenses and prevent us from continuing to originate or service real estate loans, which would materially and adversely affect us.

Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.

Due to federal budget deficit concerns, S&P downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody's and Fitch have warned that they may downgrade the federal government's credit rating. Further downgrades or warnings by S&P or other rating agencies, and the United States government's credit and deficit concerns in general, including issues around the federal debt ceiling, could cause interest rates and

borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of such countries has improved significantly, risks resulting from the debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a debt crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

On December 18, 2013, the Federal Reserve announced that it would scale back its bond-buying program, or quantitative easing, which is designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities until key economic indicators, such as the unemployment rate, show signs of improvement. The Federal Reserve signaled it would reduce its purchases of long-term Treasury bonds and would scale back on its purchases of mortgage-backed securities. It is unclear what effect, if any, the incremental reduction in the rate of the Federal Reserve's monthly purchases will have on the value of our investments. However, it is possible that absent continued quantitative easing by the Federal Reserve, these developments, along with the United States government's federal debt ceiling issues and the European sovereign debt crisis, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is highly dependent on communications and information systems of Ares Management. Any failure or interruption of Ares Management's systems could cause delays or other problems in our securities trading activities, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

If we fail to comply with laws, regulations and market standards regarding the privacy, use and security of customer information, we may be subject to legal and regulatory actions and its reputation would be harmed, which would materially adversely affect us.

We receive, maintain and store the non-public personal information of our loan applicants. The technology and other controls and processes designed to secure our customer information and to prevent, detect and remedy any unauthorized access to that information were designed to obtain reasonable, not absolute, assurance that such information is secure and that any unauthorized access is identified and addressed appropriately. Accordingly, such controls may not have detected, and may in the future fail to prevent or detect, unauthorized access to our borrower information. If this

information is inappropriately accessed and used by a third party or an employee for illegal purposes, such as identity theft, we may be responsible to the affected applicant or borrower for any losses he or she may have incurred as a result of misappropriation. In such an instance, we may be liable to a governmental authority for fines or penalties associated with a lapse in the integrity and security of our customers' information, which could materially adversely affect us.

RISKS RELATED TO SOURCES OF FINANCING AND HEDGING

We may incur significant debt, which may subject us to increased risk of loss and may reduce cash available for distributions to our stockholders.

We borrow funds under the Funding Agreements. As of December 31, 2013, we had approximately $264.4 million of outstanding borrowings under the Funding Agreements. Subject to market conditions and availability, we may incur significant debt through bank credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to transaction or asset specific funding arrangements. The percentage of leverage we employ will vary depending on our available capital, our ability to obtain and access financing arrangements with lenders, debt restrictions contained in those financing arrangements and the lenders' and rating agencies' estimate of the stability of our investment portfolio's cash flow. We may significantly increase the amount of leverage we utilize at any time without approval of our board of directors. In addition, we may leverage individual assets at substantially higher levels. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt or we may fail to comply with all of the other covenants contained in the debt, which is likely to result in (a) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (b) our inability to borrow unused amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements, and/or (c) the loss of some or all of our assets to foreclosure or sale;

- our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase with higher financing costs;

- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and

- we are not able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all.

There can be no assurance that our leveraging strategy will be successful.

Our secured funding agreements impose, and any additional lending facilities will impose, restrictive covenants.

We borrow funds under the Funding Agreements. The documents that govern the Funding Agreements contain, and any additional lending facilities would be expected to contain, customary negative covenants and other financial and operating covenants, that among other things, may affect our ability to incur additional debt, make certain investments or acquisitions, reduce liquidity below certain levels, make distributions to our stockholders, redeem debt or equity securities and impact our flexibility to determine our operating policies and investment strategies. For example, such loan documents contain negative covenants that limit, among other things, our ability to repurchase our common stock, distribute more than a certain amount of our net income or funds from operations to

our stockholders, employ leverage beyond certain amounts, sell assets, engage in mergers or consolidations, grant liens, and enter into transactions with affiliates (including amending the management agreement with our Manager in a material respect). Certain of the restrictive covenants that apply to the Wells Fargo Facility, the Citibank Facility and the Capital One Facility are further described in "Business—Funding Agreements." If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We are also subject to cross-default and acceleration rights and, with respect to collateralized debt, the posting of additional collateral and foreclosure rights upon default. Further, these restrictions could also make it difficult for us to satisfy the qualification requirements necessary to maintain our status as a REIT.

Interest rate fluctuations could increase our financing costs and reduce our ability to generate income on our investments, each of which could lead to a significant decrease in our results of operations, cash flows and the market value of our investments.

We are affected by the fiscal and monetary policies of the U.S. government and its agencies, including the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. The Federal Reserve's policies affect interest rates, which have a significant impact on the demand for CRE loans. Changes in fiscal and monetary policies are beyond our control, are difficult to predict and could materially adversely affect us. Our primary interest rate exposures will relate to the yield on our investments and the financing cost of our debt, as well as our interest rate swaps that we utilize for hedging purposes. Changes in interest rates will affect our net interest income, which is the difference between the interest income we earn on our interest-earning investments and the interest expense we incur in financing these investments. In addition, the fair value of ACRE Capital's mortgage servicing rights ("MSRs") is subject to changes in interest rates. For example, a 100 basis point increase or decrease in the weighted average discount rate would decrease or increase, respectively, the fair value of ACRE Capital's MSRs outstanding as of December 31, 2013 by approximately $1.8 million. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us. Changes in the level of interest rates also may affect our ability to invest in investments, the value of our investments and our ability to realize gains from the disposition of assets. Changes in interest rates may also affect borrower default rates.

To the extent that our financing costs will be determined by reference to floating rates, such as LIBOR or a Treasury index, plus a margin, the amount of such costs will depend on a variety of factors, including, without limitation, (a) for collateralized debt, the value and liquidity of the collateral, and for non-collateralized debt, our credit, (b) the level and movement of interest rates, and (c) general market conditions and liquidity. In a period of rising interest rates, our interest expense on floating rate debt would increase, while any additional interest income we earn on our floating rate investments may be subject to caps and may not compensate for such increase in interest expense. At the same time, the interest income we earn on our fixed rate investments would not change, the duration and weighted average life of our fixed rate investments would increase and the market value of our fixed rate investments would decrease. Similarly, in a period of declining interest rates, our interest income on floating rate investments would decrease, while any decrease in the interest we are charged on our floating rate debt may be subject to floors and not compensate for such decrease in interest income. Additionally, the interest we are charged on our fixed rate debt would not change. Any such scenario could materially and adversely affect us.

Our operating results will depend, in part, on differences between the income earned on our investments, net of credit losses, and our financing costs. For any period during which our investments are not match-funded, the income earned on such investments may respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may immediately and significantly decrease our results of operations and cash flows and the market value of our investments.

ACRE Capital also is significantly affected by the fiscal and monetary policies of the U.S. government and its agencies. ACRE Capital is particularly affected by the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. The Federal Reserve's policies affect interest rates, which have a significant impact on the demand for CRE loans. Significant fluctuations in interest rates as well as protracted periods of increases or decreases in interest rates could adversely affect the operation and income of multifamily and other commercial real estate properties, as well as the demand from investors for commercial real estate debt in the secondary market. In particular, higher interest rates tend to decrease the number of loans originated. An increase in interest rates could cause refinancing of existing loans to become less attractive and qualifying for a loan to become more difficult. Changes in fiscal and monetary policies are beyond our control, are difficult to predict and could materially adversely affect us.

The Wells Fargo Facility, the Citibank Facility, the Capital One Facility, the ASAP Line of Credit, the BAML Line of Credit and any bank credit facilities and repurchase agreements that we may use in the future to finance our assets, may require us to provide additional collateral or pay down debt.

We borrow funds under the Funding Agreements. We anticipate that we will also utilize additional bank credit facilities or repurchase agreements (including term loans and revolving facilities) to finance our assets if they become available on acceptable terms. Such financing arrangements would involve the risk that the value of the loans pledged or sold by us to the provider of the bank credit facility or repurchase agreement counterparty may decline in value, in which case the lender may require us to provide additional collateral or to repay all or a portion of the funds advanced. With respect to certain facilities, subject to certain conditions, our lenders retain the sole discretion over the market value of loans that serve as collateral for the borrowings under such facilities for purposes of determining whether we are required to pay margin to such lenders. We may not have the funds available to repay our debt at that time, which would likely result in defaults unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all. Posting additional collateral would reduce our liquidity and limit our ability to leverage our assets. If we cannot meet these requirements, the lender could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from it, which could materially and adversely affect our financial condition and ability to implement our investment strategy. In addition, if the lender files for bankruptcy or becomes insolvent, our loans may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. Such an event could restrict our access to bank credit facilities and increase our cost of capital. The providers of bank credit facilities and repurchase agreement financing may also require us to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position that would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on assets. If we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate rapidly.

In addition, if a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will likely incur a loss on our repurchase transactions.

There can be no assurance that we will be able to obtain additional bank credit facilities or repurchase agreements on favorable terms, or at all.

Our access to sources of financing may be limited and thus our ability to grow our business and to maximize our returns may be adversely affected.

We borrow funds under the Wells Fargo Facility, the Citibank Facility and the Capital One Facility, and ACRE Capital, which maintains lines of credit under the ASAP Line of Credit and the BAML Line of Credit, requires a significant amount of funding capacity on an interim basis. Subject to market conditions and availability, we may incur significant additional debt through bank credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to transaction or asset specific funding arrangements. We may also issue additional debt or equity securities to fund our growth.

Our access to sources of financing will depend upon a number of factors, over which we have little or no control, including:

- general economic or market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- our current and potential future earnings and cash distributions; and
- the market price of the shares of our common stock.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have experienced relative stability in recent years, there have been continuing periods of volatility and there can be no assurance that adverse market conditions will not repeat themselves or worsen in the future.

We will need to periodically access the capital markets to raise cash to fund new investments in excess of our repayments. We have elected and qualified for taxation as a REIT. Among other things, in order to maintain our REIT status, we are generally required to annually distribute to our stockholders an amount equal to at least 90% of our REIT taxable income, and, as a result, such distributions will not be available to fund investment originations. We must continue to borrow from financial institutions and issue additional securities to fund the growth of our investments. Unfavorable economic or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by our potential lenders not to extend credit. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any. In addition, weakness in the capital and credit markets could adversely affect one or more private lenders and could cause one or more of our private lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, if regulatory capital requirements imposed on our private lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price. No assurance can be given that we will be able to obtain any such financing,

including any replacement of the Wells Fargo Facility, the Citibank Facility, the Capital One Facility, the ASAP Line of Credit or the BAML Line of Credit on favorable terms or at all.

Any warehouse facilities that we may obtain in the future may limit our ability to originate or acquire assets, and we may incur losses if the collateral is liquidated.

We may utilize, if available, warehouse facilities pursuant to which we would accumulate mortgage loans in anticipation of a securitization financing, which assets would be pledged as collateral for such facilities until the securitization transaction is consummated. In order to borrow funds to originate or acquire assets under any future warehouse facilities, we expect that our lenders thereunder would have the right to review the potential assets for which we are seeking financing. We may be unable to obtain the consent of a lender to originate or acquire assets that we believe would be beneficial to us and we may be unable to obtain alternate financing for such assets. In addition, no assurance can be given that a securitization structure would be consummated with respect to the assets being warehoused. If the securitization is not consummated, the lender could demand repayment of the facility, and in the event that we were unable to timely repay, could liquidate the warehoused collateral and we would then have to pay any amount by which the original purchase price of the collateral assets exceeds its sale price, subject to negotiated caps, if any, on our exposure. In addition, regardless of whether the securitization is consummated, if any of the warehoused collateral is sold before the completion, we would have to bear any resulting loss on the sale.

We have utilized and may continue to utilize in the future non-recourse long-term securitizations. Such structures may expose us to risks which could result in losses.

We have utilized and, if available, we may utilize in the future non-recourse long-term securitizations of our investments in mortgage loans, especially loan originations, if and when they become available. Prior to any such financing, we may seek to finance these investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to originate or acquire, during the period that any short-term facilities are available, sufficient eligible assets to maximize the efficiency of a securitization. We also would bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and originate or acquire sufficient eligible assets for a securitization. In addition, conditions in the capital markets, including volatility and disruption in the capital and credit markets, may not permit a non-recourse securitization at any particular time or may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets. While we would intend to retain the unrated equity component of securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations would increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

The securitization process is subject to an evolving regulatory environment that may affect certain aspects of our current business.

The pools of commercial loans in which we acquire subordinated securities and for which we act as special servicer are structures commonly referred to as securitizations. As a result of the dislocation of the credit markets, the securitization industry has crafted and continues to craft proposed changes to securitization practices, including proposed new standard representations and warranties, underwriting

guidelines and disclosure guidelines. In addition, the securitization industry is becoming far more regulated. For example, pursuant to the Dodd-Frank Act, various federal agencies are in the process of promulgating regulations with respect to various issues that affect securitizations, including (1) a requirement under the Dodd-Frank Act that issuers in securitizations retain 5% of the risk associated with the securities, (2) requirements for additional disclosure, (3) requirements for additional review and reporting and (4) a possible requirement that a portion of potential profit that would be realized on the securitization must be deposited in a reserve account and used as additional credit support for the related commercial mortgage backed securities until the loans are repaid. The regulations ultimately adopted will take effect over the next few years. Certain proposed regulations, if adopted, could alter the structure of securitizations in the future and could pose additional risks to our participation in future securitizations or could reduce or eliminate the economic incentives of participating in future securitizations. In addition, Fannie Mae and other investors may also change underwriting criteria as a result of such regulations, which could affect the volume and value of loans that ACRE Capital orginates.

We may enter into hedging transactions that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy will involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Subject to maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. This hedging activity may vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- due to a credit loss, the duration of the hedge may not match the duration of the related liability;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Code or that are done through a TRS) to offset interest rate losses is limited by U.S. federal income tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

In addition, we may fail to recalculate, readjust and execute hedges in an efficient manner. Any hedging activity in which we engage may materially and adversely affect our business. Therefore, while we may enter into such transactions seeking to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

Hedging instruments often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house, and involve risks and costs that could result in material losses.

The cost of using hedging instruments increases as the period covered by the instrument increases and during periods of rising and volatile interest rates, we may increase our hedging activity and thus increase our hedging costs. In addition, hedging instruments involve risk since they often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house. Consequently, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our commitments, if any, at the then current market price. Although generally we will seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure you that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses.

Changes to derivatives regulation imposed by the Dodd-Frank Act could increase our costs of entering into derivative transactions, which could adversely impact our results of operation, financial condition and business.

Through its comprehensive new regulatory regime for derivatives, the Dodd-Frank Act will impose mandatory clearing, exchange-trading and margin requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap dealers," "security-based swap dealers," "major swap participants," and "major security-based swap participants" that will be subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements. The details of these requirements and the parameters of these categories remain to be clarified through rulemaking and interpretations by the U.S. Commodity Futures Trading Commission, or the "CFTC," the SEC, the Federal Reserve and other regulators in a regulatory implementation process which is expected to take a year or more to complete.

Nonetheless, based on information available as of the date of this annual report, the possible effect of the Dodd-Frank Act will be likely to increase our overall costs of entering into derivatives transactions. In particular, new margin requirements, position limits and capital charges, even if not directly applicable to us, may cause an increase in the pricing of derivatives transactions sold by market participants to whom such requirements apply. Administrative costs, due to new requirements such as

registration, recordkeeping, reporting, and compliance, even if not directly applicable to us, may also be reflected in higher pricing of derivatives. New exchange-trading and trade reporting requirements may lead to reductions in the liquidity of derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, adversely affecting the performance of certain of our trading strategies.

In addition, it is possible that we may be determined by a governmental authority to be a swap dealer, major swap participant, security-based swap dealer, major security-based swap participant or otherwise become subject to new entity and transaction level regulation as a result of the Dodd-Frank Act. This additional regulation could lead to significant new costs which could materially adversely affect our business.

We may fail to qualify for hedge accounting treatment.

We intend to record derivative and hedging transactions in accordance with FASB ASC 815, *Derivatives and Hedging* . Under these standards, we may fail to qualify for hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the FASB ASC 815 definition of a derivative (such as short sales), we fail to satisfy FASB ASC 815 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction or item.

We may enter into derivative contracts that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, we may enter into derivative contracts that could require us to fund cash payments in the future under certain circumstances (*e.g.* , the early termination of the derivative agreement caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the derivative contract). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses may materially and adversely affect our business.

We are currently exempt from being regulated as a commodity pool operator in part because we comply with certain restrictions regarding our use of certain derivative instruments, and failure to comply with such restrictions could subject us to additional regulation and compliance requirements which could materially adversely affect our business and financial condition.

Recently adopted rules under the Dodd-Frank Act establish a comprehensive new regulatory framework for derivative contracts commonly referred to as "swaps." Under these recently adopted rules, any investment fund that trades in swaps may be considered a "commodity pool," which would cause its directors to be regulated as "commodity pool operators," or "CPOs." Unless an exemption is available, a CPO must register with the CFTC and become a member of the National Futures Association, or the "NFA," which requires compliance with NFA's rules, and renders such CPO subject to regulation by the CFTC, including with respect to disclosure, reporting, recordkeeping and business conduct.

We do not currently invest in any instruments that meet the definition of "swap" under the new rules, and we do not currently expect to engage in any speculative derivatives activities or other non-hedging transactions using swaps, futures or options on futures. However, we may use hedging instruments in conjunction with our investment portfolio and related borrowings to reduce or mitigate risks associated with changes in interest rates, mortgage spreads, yield curve shapes and market volatility. These hedging instruments could include interest rate swaps, interest rate futures and options on interest rate futures, each of which is considered a "swap" under CFTC rules. We have submitted a claim for relief from any registration requirements pursuant to a no-action letter issued by the CFTC for mortgage REITs. In order to qualify for relief from registration, we are restricted to using swaps within certain specific parameters, including a limitation that our annual income derived from commodity interest trading be less than 5% of our gross annual income and that the initial margin and premiums required to establish commodity interest positions be no more than 5 percent of the fair market value of our total assets. If we fail to comply with the applicable restrictions, our directors may be compelled to register as CPOs, or we may be required to seek other hedging instruments or techniques at increased cost to us, or that may not be as effective as the use of swaps.

RISKS RELATED TO OUR INVESTMENTS

We will allocate our available capital without input from our stockholders.

You will not be able to evaluate the manner in which our available capital is invested or the economic merit of our expected investments. As a result, we may use our available capital to invest in investments with which you may not agree. Additionally, our investments will be selected by our Manager and our stockholders will not have input into such investment decisions. Both of these factors will increase the uncertainty, and thus the risk, of investing in our securities. The failure of our Manager to apply this capital effectively or find investments that meet our investment criteria in sufficient time or on acceptable terms could result in unfavorable returns, could cause a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders, and could cause the value of our common stock to decline.

Until appropriate investments can be identified, our Manager may invest our available capital in interest-bearing short-term investments, including money market accounts or funds, CMBS or corporate bonds, which are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we seek to achieve from investments in our target investments. Our Manager intends to conduct due diligence with respect to each investment and suitable investment opportunities may not be immediately available. Even if opportunities are available, there can be no assurance that our Manager's due diligence processes will uncover all relevant facts or that any investment will be successful.

We cannot assure you that we will be able to enter into definitive agreements to invest in any new investments that meet our investment objective; that we will be successful in consummating any investment opportunities we identify; or that one or more investments we may make will yield attractive risk-adjusted returns. Our inability to do any of the foregoing likely would materially and adversely affect our business and our ability to make distributions to our stockholders.

The lack of liquidity in our investments may adversely affect our business.

The illiquidity of our target investments may make it difficult for us to sell such investments if the need or desire arises. Certain target investments such as B-Notes, transitional, mezzanine and other loans are also particularly illiquid investments due to their short life, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower's default. In addition, many of the loans and securities we invest in will not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or disposition except in a transaction that is

exempt from the registration requirements of, or otherwise in accordance with, those laws. As a result, we expect many of our investments will be illiquid, and if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded investments. Further, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or our Manager has or could be attributed as having material, non-public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Our portfolio is concentrated in a limited number of loans, which subjects us to a risk of significant loss if any of these loans default.

As of December 31, 2013 and 2012, we were invested in 33 (and one additional loan held for sale) and 15 loans in our principal lending business, respectively. The number of loans we are invested in may be higher or lower depending on the amount of our assets under management at any given time, market conditions and the extent to which we employ leverage, and will likely fluctuate over time. A consequence of this limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly, if we need to write down the value of any one investment or if an investment is repaid prior to maturity and we are not able to promptly redeploy the proceeds. We do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few loans.

While we intend to continue to diversify our portfolio of investments in the manner described in our filings with the SEC, we do not have fixed guidelines for diversification. As a result, our investments could be concentrated in relatively few loans and/or relatively few property types. If our portfolio of target investments is concentrated in certain property types that are subject to higher risk of foreclosure, or secured by properties concentrated in a limited number of geographic locations, downturns relating generally to such region or type of asset may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders.

A prolonged economic slowdown, a lengthy or severe recession or further declines in real estate values could impair our investments and ACRE Capital's MSRs and harm our operations.

We believe the risks associated with our business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. For example, the severe economic downturn that occurred from 2008 through 2009 limited the availability of debt financing in the overall marketplace and generally made leveraged acquisitions and refinancing more difficult. Consequently, our investment model may be adversely affected by prolonged economic downturns or recessions where declining real estate values would likely reduce the level of new mortgage and other real estate-related loan originations, since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the value of real estate weakens. In addition, the number of borrowers who become delinquent, become subject to bankruptcy laws or default on their loans could increase, resulting in a decrease in the value of ACRE Capital's MSRs and servicer advances and higher levels of loss on ACRE Capital's Fannie Mae loans for which it shares risk of loss. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our manager's ability to invest in, sell and securitize loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business and our ability to pay dividends to stockholders.

Our real estate investments are subject to risks particular to real property. These risks may result in a reduction or elimination of, or return from, a loan secured by a particular property.

We may own CRE directly in the future as a result of a default of mortgage or other real estate related loans. Real estate investments are subject to various risks, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations (including their interpretations), fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and liabilities associated with environmental conditions such as indoor mold;
- the potential for uninsured or under-insured property losses.

If any of these or similar events occurs, it may reduce our return from an affected property or investment and services and reduce or eliminate our ability to pay dividends to our stockholders.

The senior CRE loans we originate and the mortgage loans underlying any CMBS investments that we may make will be subject to the ability of the commercial property owner to generate net income from operating the property, as well as the risks of delinquency and foreclosure.

Our senior CRE loans are secured by commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that may be greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things,

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition and design;
- competition from comparable types of properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in national, regional or local economic conditions and/or specific industry segments, including the credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- costs of remediation and liabilities associated with environmental conditions;

- the potential for uninsured or underinsured property losses;
- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorist attacks, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations and limit amounts available for distribution to our stockholders. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

We operate in a competitive market for investment opportunities and loan originations and competition may limit our ability to originate or acquire desirable investments in our target investments and could also affect the pricing of these securities.

A number of entities compete with us to make the types of investments that we seek to make and originate the types of loans that we seek to originate. Our profitability depends, in large part, on our ability to originate or acquire our target investments on attractive terms. In originating or acquiring our target investments, we compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by Ares Management), commercial and investment banks, commercial real estate service providers, commercial finance and insurance companies and other financial institutions. Several other REITs have raised, or are expected to raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for investment opportunities. Many of our anticipated competitors are significantly larger than we are and have considerably greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us, such as the U.S. Government. In addition, future changes in laws, regulations and Fannie Mae or HUD program requirements could lead to the entry of more competitors. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, deploy more aggressive pricing and establish more relationships than us. Furthermore, competition for originations of and investments in our target investments may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target investments may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives.

If our Manager overestimates the yields or incorrectly prices the risks of our investments, we may experience losses.

Our Manager values our potential investments based on yields and risks, taking into account estimated future losses on the mortgage loans and the collateral underlying our mortgage loans and included in securitization pools, and the estimated impact of these losses on expected future cash flows and returns. Our Manager's loss estimates may not prove accurate, as actual results may vary from estimates. If our Manager underestimates the asset-level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

Loans on properties in transition will involve a greater risk of loss than traditional investment-grade mortgage loans with fully insured borrowers.

We may originate transitional loans secured by first lien mortgages on a property to borrowers who are typically seeking short-term capital to be used in an acquisition or rehabilitation of a property. The typical borrower under a transitional loan has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we may not recover some or all of our investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the transitional loan. Transitional loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under transitional loans that may be held by us, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent we suffer such losses with respect to these transitional loans, the value of the Company and the price of our shares of common stock may be adversely affected.

Risks of cost overruns and noncompletion of renovation of the properties underlying short term senior loans on properties in transition may result in significant losses.

The renovation, refurbishment or expansion by a borrower under a mortgaged property involves risks of cost overruns and noncompletion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on our investment, which could result in significant losses.

Investments in non-conforming and non-investment grade rated loans or securities involve increased risk of loss.

Many of our investments will not conform to conventional loan standards applied by traditional lenders and either will not be rated or will be rated as non-investment grade by the rating agencies. The non-investment grade ratings for these assets typically result from the overall leverage of the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers' credit history, the underlying properties' cash flow or other factors. As a result, these investments should be expected to have a higher risk of default and loss than investment grade rated assets. Any loss we incur

may be significant and may reduce distributions to our stockholders and adversely affect the market value of our common stock. There are no limits on the percentage of unrated or non-investment grade rated assets we may hold in our investment portfolio.

The B-Notes that we have originated or may originate or acquire in the future may be subject to additional risks related to the privately negotiated structure and terms of the transaction, which may result in losses to us.

We have originated and may continue to originate or acquire B-Notes. A B-Note is a mortgage loan typically (a) secured by a first mortgage on a single large commercial property or group of related properties and (b) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note holders after payment to the A-Note holders. Because each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Significant losses related to our B-Notes would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Our mezzanine loan assets involve greater risks of loss than senior loans secured by income-producing properties.

We have originated and may continue to originate or acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our initial expenditure. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to our mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Any credit ratings assigned to our investments will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded.

Some of our investments may be rated by rating agencies such as Moody's Investors Service, Fitch Ratings, Standard & Poor's, DBRS, Inc. or Realpoint LLC. Any credit ratings on our investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the value of our investments could significantly decline, which would adversely affect the value of our investment portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to us.

We may experience a decline in the fair value of our assets.

A decline in the fair market value of our assets may require us to recognize an "other-than-temporary" impairment against such assets under GAAP, if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the original acquisition cost of such assets. If such a determination were to be made, we will record an allowance to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we experience a decline in the fair value of our assets, our results of operations, financial condition and our ability to make distributions to our stockholders could be materially and adversely affected.

Some of our portfolio investments may be recorded at fair value and, as a result, there will be uncertainty as to the value of these investments.

Some of our portfolio investments may be in the form of positions or securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. Currently, the financial instruments recorded at fair value on a recurring basis in the Company's consolidated financial statements are MSRs, loan commitments, forward sale commitments, loans held for sale and an embedded conversion option related to the Company's 2015 Convertible Notes. The Company has not elected the fair value option for the remaining financial instruments, including loans held for investment, secured funding agreements, convertible notes and debt issued by a consolidated variable interest entity. Such financial instruments are carried at cost. For loans held for investment that are evaluated for impairment at least quarterly, we estimate the fair value of the instrument, which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of our common stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Additionally, the Company's results of operations for a given period could be adversely affected if its determinations regarding the fair value of these investments were materially higher than the values that the Company ultimately realizes upon their disposal. The valuation process has been particularly challenging recently, as market events have made valuations of certain assets more difficult, unpredictable and volatile.

If we invest in CMBS, such investments would pose additional risks, including the risks of the securitization process and the risk that the special servicer may take actions that could adversely affect our interests.

We may acquire CMBS. In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated stockholder and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which we invest, we will not be able to recover all of our investment in the securities we purchase. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result,

less collateral value is available to satisfy interest and principal payments due on the related mortgage-backed securities. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments.

With respect to the CMBS in which we may invest, overall control over the special servicing of the related underlying mortgage loans will be held by a "directing certificateholder" or a "controlling class representative," which is appointed by the holders of the most subordinated class of CMBS in such series. Because we may acquire classes of existing series of CMBS, we will not have the right to appoint the directing certificateholder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificateholder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests.

Insurance on mortgage loans and real estate securities collateral may not cover all losses.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received with respect to a property relating one of our investments might not be adequate to restore our economic position with respect to our investment. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property and the value of our investment related to such property.

Liability relating to environmental matters may impact the value of properties that we may acquire upon foreclosure of the properties underlying our investments.

To the extent we foreclose on properties with respect to which we have extended mortgage loans, we may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances may adversely affect an owner's ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying one of our debt investments becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant mortgage asset held by us and our ability to make distributions to our stockholders.

If we foreclose on any properties underlying our investments, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

Construction loans involve an increased risk of loss.

We invest in construction loans. If we fail to fund our entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including, but not limited to: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against us for failure to perform under the loan documents; increased costs to the

borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

RISKS RELATED TO OUR MORTGAGE BANKING BUSINESS AND OUR ACQUISITION OF ACRE CAPITAL

The loss of or changes to ACRE Capital's relationships with Fannie Mae, HUD and institutional investors would adversely affect its ability to originate CRE loans through Fannie Mae and HUD programs, which would materially adversely affect us.

Currently, ACRE Capital originates and services its loans for sale through Fannie Mae or HUD programs. ACRE Capital is approved as a Fannie Mae DUS lender, Ginnie Mae issuer and FHA (including MAP and LEAN) lender nationwide. ACRE Capital's status as an approved lender and issuer under these programs affords ACRE Capital a number of advantages and may be terminated by the applicable agency at any time. The loss of such status would, or changes in ACRE Capital's relationships could, prevent ACRE Capital from being able to originate and service CRE loans for sale through Fannie Mae or HUD, which would materially adversely affect us. It could also result in ACRE Capital's loss of similar approvals from other agencies.

We may not realize all of the anticipated benefits of the Acquisition or such benefits may take longer to realize than expected.

The success of the Acquisition depends, in part, on our ability to realize the anticipated benefits from successfully integrating ACRE Capital's business with ours. The combination of two independent companies is a complex, costly and time-consuming process. As a result, we have been required to devote significant management attention and resources to integrating the business practices and operations of ACRE Capital. The integration process may disrupt our business and, if implemented ineffectively, could preclude us from realizing all of the potential benefits we expect to realize with respect to the Acquisition. Our failure to meet the challenges involved in successfully integrating our operations and ACRE Capital's operations or to fully realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, our business and could seriously harm our results of operations. In addition, the overall integration of the two companies may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of business relationships and diversion of management's attention, and may cause our stock price to decline. The difficulties of integrating ACRE Capital's business with our operations include, among others:

- managing a significantly larger company, including an internally managed subsidiary with approximately 90 employees;
- managing a business subject to significant regulations previously inapplicable to us;
- the fact that we and our Manager have limited experience operating a TRS;
- the potential diversion of management focus and resources from other strategic opportunities and from operational matters and potential disruption associated with the Acquisition;
- maintaining ACRE Capital employee morale and retaining key ACRE Capital management and other ACRE Capital employees;
- integrating two unique business cultures;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;

- unanticipated issues in integrating information technology, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- managing tax costs or inefficiencies associated with integrating our operations and ACRE Capital's;
- suffering losses if we do not experience the anticipated benefits of the transaction;
- unforeseen expenses or delays associated with the Acquisition; and
- making any necessary modifications to ACRE Capital's internal financial control standards to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder.

Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact our business, financial condition and results of operations. In addition, even if our operations and ACRE Capital's are successfully integrated, we may not realize the full benefits of the Acquisition within the anticipated time frame, or at all.

ACRE Capital may not be able to hire and retain qualified loan originators, and if it is unable to do so, its ability to implement its business and growth strategies could be limited.

ACRE Capital depends on its loan originators to generate borrower clients by, among other things, developing relationships with commercial property owners, real estate agents and brokers, developers and others, which ACRE Capital believes leads to repeat and referral business. Accordingly, ACRE Capital must be able to attract, motivate and retain skilled loan originators. As of December 31, 2013, ACRE Capital employed approximately 13 loan originators throughout its nine offices. The market for loan originators is highly competitive and may lead to increased costs to hire and retain them. ACRE Capital cannot guarantee that it will be able to attract or retain qualified loan originators. If it cannot attract, motivate or retain a sufficient number of skilled loan originators, or even if it can motivate or retain them but at higher costs, we could be materially adversely affected.

ACRE Capital is subject to risk of loss in connection with defaults on loans sold under the Fannie Mae DUS program that could materially adversely affect our results of operations and liquidity.

Under the Fannie Mae DUS program, ACRE Capital originates and services multifamily loans for Fannie Mae without having to obtain Fannie Mae's prior approval for certain loans, as long as the loans meet the underwriting guidelines set forth by Fannie Mae. In return for the delegated authority to make loans and the commitment to purchase loans by Fannie Mae, ACRE Capital must maintain minimum collateral and is generally required to share the risk of loss on loans sold through Fannie Mae. Under the *pari passu* risk-sharing formula, ACRE Capital is required to share the loss with Fannie Mae, with its maximum loss capped at one-third of the original principal balance of a loan. ACRE Capital's risk-sharing obligations have been modified and reduced on some Fannie Mae DUS loans. In addition, Fannie Mae can significantly increase ACRE Capital's risk-sharing obligations if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae or if Fannie Mae determines that there was fraud, material misrepresentation or gross negligence by ACRE Capital in its underwriting, closing, delivery or servicing of the loan. As of December 31, 2013, ACRE Capital had pledged securities and cash of $13.7 million as collateral against future losses under $3.7 billion of loans outstanding that are subject to risk-sharing obligations, which we refer to as ACRE Capital's "at risk balance."

ACRE Capital's DUS lender contract with Fannie Mae gives Fannie Mae the ability to increase the amounts required to be held in reserve as operational liquidity or restricted reserves for a number

of reasons in order to protect its interests. In this regard, Fannie Mae had previously required ACRE Capital to bolster its operational and restricted liquidity positions by increasing its total acceptable operational liquidity by $6.0 million and also increasing its restricted reserve liquidity by $2.5 million. In August of 2012, Fannie Mae agreed to allow ACRE Capital to use the $6.0 million of additional operational liquidity to make advances on defaulted Fannie Mae loans and/or to meet future loss sharing obligations on Fannie Mae loans. Upon the consummation of our acquisition of ACRE Capital, Fannie Mae agreed to lift the requirement that ACRE Capital maintain the additional restricted reserve of $2.5 million and the $6.0 million of additional operational liquidity. If Fannie Mae deems it necessary and appropriate, it may raise these collateral requirements again in the future, which would limit ACRE Capital's ability to utilize those funds. As of December 31, 2013, ACRE Capital's allowance for risk-sharing as a percentage of the at-risk balance was 1.27%, or $16.5 million, and reflects ACRE Capital's current estimate of its future payouts under its risk-sharing obligations. We cannot assure you that ACRE Capital's estimate will be sufficient to cover future write offs.

While ACRE Capital originates loans that meet the underwriting guidelines defined by Fannie Mae, in addition to its own internal underwriting guidelines, underwriting criteria may not always protect against loan defaults. In addition, commercial real estate values have generally declined in recent years, in some cases to levels below the current outstanding principal balance of the loan. Also, underwriting standards, including loan-to-value ratios, have become stricter. These factors create a risk that some older loans may not be able to be refinanced at maturity and thus may experience maturity defaults. Other factors may also affect a borrower's decision to default on a loan, such as property, cash flow, occupancy, maintenance needs, and other financing obligations. As of December 31, 2013, the outstanding unpaid principal balance of the assets comprising ACRE Capital's 60+ days delinquency rate segment represented 0.53% of the at-risk portfolio's aggregate unpaid principal balance. If loan defaults increase, actual risk-sharing obligation payments under the Fannie Mae DUS program may increase, and such defaults and payments could have a material adverse effect on our results of operations and liquidity. In addition, any failure by ACRE Capital to pay its share of losses under the Fannie Mae DUS program could result in the revocation of its license from Fannie Mae and the exercise of various remedies available to Fannie Mae under the Fannie Mae DUS program.

If ACRE Capital fails to act proactively with delinquent borrowers in an effort to avoid a default, its number of delinquent loans could increase, which could have a material adverse effect on us.

As a loan servicer, ACRE Capital maintains the primary contact with the borrower throughout the life of the loan and is responsible, pursuant to its servicing agreements with Fannie Mae, for asset management. ACRE Capital is also responsible, together with Fannie Mae, for taking actions to mitigate losses. We believe that ACRE Capital has developed an extensive asset management process for tracking each loan that it services. However, ACRE Capital may be unsuccessful in identifying loans that are in danger of underperforming or defaulting or in taking appropriate action once those loans are identified. While ACRE Capital can recommend a loss mitigation strategy for Fannie Mae, decisions regarding loss mitigation are within the control of Fannie Mae. Recent turmoil in the real estate, credit and capital markets have made this process even more difficult and unpredictable. When loans become delinquent, ACRE Capital incurs additional expenses in servicing and asset managing the loan, it is typically required to advance principal and interest payments and tax and insurance escrow amounts, it could be subject to a loss of its contractual servicing fee and it could suffer losses of up to 33.33% (or more for loans that do not meet specific underwriting criteria or default within 12 months of their sale to Fannie Mae) of the unpaid principal balance of a Fannie Mae DUS loan with Level I *pari passu* risk-sharing, as well as potential losses on Fannie Mae DUS loans with modified risk-sharing. These items could have a negative impact on its cash flows and a negative effect on the net carrying value of the MSRs on its balance sheet and could result in a charge to its earnings. As a result of the foregoing, a continuing rise in ACRE Capital's delinquencies could have a material adverse effect on us.

A reduction in the prices paid for ACRE Capital's loans and services or an increase in loan or security interest rates by investors could materially adversely affect our results of operations and liquidity.

Our results of operations and liquidity could be materially adversely affected if Fannie Mae lowers the price they are willing to pay to ACRE Capital for ACRE Capital's loans or services or adversely change the material terms of their loan purchases or service arrangements with ACRE Capital. A number of factors determine the price ACRE Capital receives for its loans. With respect to Fannie Mae-related originations, ACRE Capital's loans are generally sold as Fannie Mae-insured securities to third-party investors. With respect to HUD-related originations, ACRE Capital's loans are generally sold as Ginnie Mae securities to third-party investors. In both cases, the price paid to ACRE Capital reflects, in part, the competitive market bidding process for these securities.

Loan servicing fees are based, in part, on the risk-sharing obligations associated with the loan and the market pricing of credit risk. The credit risk premium offered by Fannie Mae for new loans can change periodically, but remains fixed once ACRE Capital enters into a commitment to sell the loan. Over the past several years, Fannie Mae loan servicing fees have been higher due to the market pricing of credit risk. There can be no assurance that such fees will continue to remain at such levels or that such levels will be sufficient if delinquencies occur.

Servicing fees for loans placed with institutional investors are negotiated with each institutional investor pursuant to agreements that ACRE Capital has with them. These fees for new loans vary over time and may be materially adversely affected by a number of factors, including competitors that may be willing to provide similar services at better rates.

Over the past few years, ACRE Capital has originated multifamily real estate loans that are eligible for sale through Fannie Mae programs, and in 2013 ACRE Capital was approved to originate loans that are eligible to be insured by FHA and securitized through Ginnie Mae. This focus may expose ACRE Capital to greater risk if the CMBS market continues its nascent recovery or alternative sources of liquidity become more readily available to the commercial real estate finance market.

ACRE Capital originates multifamily real estate loans that are eligible for sale through Fannie Mae programs or are eligible to be insured by FHA and securitized through Ginnie Mae. Over the past few years, the number of multifamily loans financed by Fannie Mae programs has represented a significantly greater percentage of overall multifamily loan origination volume than in prior years. ACRE Capital believes that this increase is the result, in part, of market dislocation and illiquidity in the secondary markets for non-Fannie Mae loans. The CMBS market continues to show signs of a recovery over the past few years. To the extent the CMBS market continues its recovery or liquidity in the commercial real estate finance market significantly increases, there may be less demand for loans that are eligible for sale through Fannie Mae programs or eligible to be insured by FHA and securitized through Ginnie Mae, and ACRE Capital's loan origination volume may be adversely impacted, which could materially adversely affect us. In addition, ACRE Capital is not currently licensed to provide loans through Freddie Mac. In the event there is a disproportionate increase in demand for loans through Freddie Mac, or Fannie Mae is wound down while Freddie Mac survives, ACRE Capital's loan origination volume may be adversely impacted, which could materially adversely affect us.

A significant portion of ACRE Capital's revenue is derived from loan servicing fees, and declines in or terminations of servicing engagements or breaches of servicing agreements, including as a result of non-performance by third parties that ACRE Capital engages for back-office loan servicing functions and loan origination, could have a material adverse effect on us.

We expect that loan servicing fees will continue to constitute a significant portion of ACRE Capital's revenues for the foreseeable future. Nearly all of these fees are derived from loans that ACRE Capital originates and sells through Fannie Mae or HUD programs or places with institutional investors. A decline in the number or value of loans that ACRE Capital originates for these investors or terminations of its servicing engagements will decrease these fees. HUD has the right to terminate ACRE Capital's current servicing engagements for cause. In addition to termination for cause, Fannie Mae may terminate ACRE Capital's servicing engagements without cause by paying a termination fee. ACRE Capital is also subject to losses that may arise as a result of servicing errors, such as errors in the timeliness or accuracy of reporting, a failure to maintain insurance, pay taxes or provide notices. In addition, ACRE Capital has contracted with a third party to perform certain routine back-office aspects of loan servicing. If ACRE Capital or this third party fails to perform, or ACRE Capital breaches or the third-party causes ACRE Capital to breach its servicing obligations to Fannie Mae or HUD, ACRE Capital's servicing engagements may be terminated. Declines or terminations of servicing engagements or breaches of such obligations could materially adversely affect us.

ACRE Capital is subject to the risk of failed loan deliveries, and even after a successful closing and delivery, may be required to repurchase the loan or to indemnify the investor if it breaches a representation or warranty made by it in connection with the sale of the loan through a Fannie Mae program, any of which could have a material adverse effect on ACRE Capital.

ACRE Capital bears the risk that a borrower will choose not to close on a loan that has been pre-sold to an investor or that the investor will choose not to purchase the loan ("failed loan delivery"), including because a catastrophic change in the condition of a property occurs after ACRE Capital funds the loan and prior to the investor purchase date. ACRE Capital also has the risk of serious errors in loan documentation that prevent timely delivery of the loan prior to the investor purchase date. A complete failure to deliver a loan could be a default under the warehouse line used to finance the loan. There can be no assurance that ACRE Capital will not experience failed deliveries or that any losses will not be material or will be mitigated through property insurance or payment protections.

ACRE Capital must make certain representations and warranties concerning each loan originated by it for Fannie Mae programs. The representations and warranties relate to ACRE Capital's practices in the origination and servicing of the loans and the accuracy of the information being provided by it. For example, ACRE Capital is generally required to provide the following representations and warranties, among others: it is authorized to do business and to sell or assign the loan; the loan conforms to the requirements of Fannie Mae and certain laws and regulations; the underlying mortgage represents a valid lien on the property and there are no other liens on the property; the loan documents are valid and enforceable; taxes, assessments, insurance premiums, rents and similar other payments have been paid or escrowed; the property is insured, conforms to zoning laws and remains intact; and it does not know of any issues regarding the loan that are reasonably expected to cause the loan to be delinquent or unacceptable for investment or adversely affect its value. ACRE Capital is permitted to satisfy certain of these representations and warranties by furnishing a title insurance policy.

In the event of a breach of any representation or warranty, investors could, among other things, increase the level of risk-sharing on the Fannie Mae DUS loan or require ACRE Capital to repurchase the full amount of the loan and seek indemnification for losses from ACRE Capital. ACRE Capital's obligation to repurchase the loan is independent of its risk-sharing obligations. Fannie Mae could

require ACRE Capital to repurchase the loan if representations and warranties are breached, even if the loan is not in default. Because the accuracy of many such representations and warranties generally is based on ACRE Capital's actions or on third-party reports, such as title reports and environmental reports, ACRE Capital may not receive similar representations and warranties from other parties that would serve as a claim against them. Even if ACRE Capital receives representations and warranties from third parties and has a claim against them in the event of a breach, its ability to recover on any such claim may be limited. ACRE Capital's ability to recover against a borrower that breaches its representations and warranties to it may be similarly limited. ACRE Capital's ability to recover on a claim against any party would also be dependent, in part, upon the financial condition and liquidity of such party. Although we believe that ACRE Capital has capable personnel at all levels, uses qualified third parties and has established controls to ensure that all loans are originated pursuant to requirements established by Fannie Mae, in addition to its own internal requirements, there can be no assurance that ACRE Capital, its employees or third parties will not make mistakes. Any significant repurchase or indemnification obligations imposed on ACRE Capital could have a material adverse effect on us.

ACRE Capital expects to offer additional new loan products to meet evolving borrower demand, including new types of loans. Because it is not as experienced with such loan products, it may not be successful or profitable in offering such products.

In the future, ACRE Capital expects to offer new loan products to meet evolving borrower demands. ACRE Capital may initiate new loan product and service offerings or acquire them through acquisitions of operating businesses. Because ACRE Capital may not be as experienced with new loan products or services, it may require additional time and resources for offering and managing such products and services effectively or may be unsuccessful in offering such new products and services at a profit.

For most loans that ACRE Capital services under the Fannie Mae and HUD programs, ACRE Capital is required to advance payments due to investors if the borrower is delinquent in making such payments, which requirement could adversely impact our liquidity and harm our results of operations.

For most loans ACRE Capital services under the Fannie Mae DUS program, ACRE Capital is currently required to advance the principal and interest payments and tax and insurance escrow amounts if the borrower is delinquent in making loan payments. After four continuous months of making advances on behalf of the borrower, ACRE Capital can submit a reimbursement claim to Fannie Mae, which Fannie Mae may approve at its discretion. ACRE Capital is reimbursed by Fannie Mae for these advances in the event the loan is brought current. In the event of a default, any advances made by ACRE Capital in accordance with Fannie Mae requirements are used to reduce the proceeds required to settle any loss, if not previously reimbursed.

Under the HUD program, ACRE Capital is obligated to continue to advance principal and interest payments and tax and insurance escrow amounts on Ginnie Mae securities until the FHA mortgage insurance claim and the Ginnie Mae security have been fully paid. In the event of a default on an FHA insured loan, FHA will reimburse 99% of any losses of principal, plus generally most tax, insurance, and interest (at the federal debenture rate) advanced on the loan. If the loan default occurred while pooled with Ginnie Mae, that agency will reimburse 1% of principal and generally 85% of any interest slippage between the federal debenture and security rates of interest.

Although ACRE Capital has funded all required advances from operating cash flow in the past, there can be no assurance that it will be able to do so in the future. If ACRE Capital does not have sufficient operating cash flows to fund such advances, it would need to finance such amounts. Such financing could be costly and could prevent us from pursuing its business and growth strategies.

A change to the conservatorship of Fannie Mae or Freddie Mac and related actions, along with any changes in laws and regulations affecting the relationship between Fannie Mae or Freddie Mac and the U.S. federal government, could materially adversely affect ACRE Capital's business.

There continues to be substantial uncertainty regarding the future of each of Fannie Mae and Freddie Mac, including the length of time for which they may continue to exist and in what form they may operate during that period.

Due to increased market concerns about the ability of Fannie Mae and Freddie Mac to withstand future credit losses associated with securities on which they provide guarantees and loans held in their investment portfolio without the direct support of the U.S. federal government, in September 2008, the Federal Housing Finance Agency ("FHFA") placed Fannie Mae into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae and Freddie Mac by supporting the availability of mortgage financing and protecting taxpayers. The U.S. government program includes contracts between the U.S. Treasury and each of Fannie Mae and Freddie Mac that seek to ensure that each of Fannie Mae and Freddie Mac maintains a positive net worth by providing for the provision of cash by the U.S. Treasury to such entity if FHFA determines that its liabilities exceed its assets. Although the U.S. government has described some specific steps that it intends to take as part of the conservatorship process, efforts to stabilize these entities may not be successful and the outcome and impact of these events remain highly uncertain. Under the statute providing the framework for the conservatorship, each of Fannie Mae and Freddie Mac could also be placed into receivership under certain circumstances.

In 2011, the Obama Administration released a white paper on the future of housing finance reform. The report provides that the Obama Administration will work with FHFA to determine the best way to responsibly reduce Fannie Mae and Freddie Mac's role in the market and ultimately wind down both institutions. The report identifies a number of possible policy steps for winding down Fannie Mae and Freddie Mac, reducing the government's role in housing finance and helping bring private capital back to the mortgage market. These steps include (1) increasing guaranty fees, (2) gradually increasing the level of required down payments so that any mortgages insured by Fannie Mae or Freddie Mac eventually have at least a 10% down payment, (3) reducing conforming loan limits to those established under the Federal Housing Finance Regulatory Reform Act of 2008, (4) encouraging Fannie Mae and Freddie Mac to pursue additional credit loss protection and (5) reducing Fannie Mae's and Freddie Mac's portfolios, consistent with the U.S. Treasury's senior preferred stock purchase agreements with the companies. In addition, the report outlines three potential options for a new long-term structure for the housing finance system following the wind-down of Fannie Mae and Freddie Mac.

On March 4, 2013, FHFA released its 2013 Conservatorship Scorecard for Fannie Mae. As part of the scorecard, FHFA directed that Fannie Mae contract its presence in the marketplace while simplifying and shrinking certain operations (by lines of business). Specifically, FHFA directed Fannie Mae to reduce the unpaid principal balance amount of new multifamily business relative to 2012 by at least ten percent by tightening underwriting, adjusting pricing, and limiting product offerings, while not increasing the proportion of Fannie Mae's retained risk.

If the FHFA mandates additional reductions to Fannie Mae's volumes for new multifamily originations or imposes additional restrictions on Fannie Mae's multifamily business beyond 2013, the volume of loans that ACRE Capital originates with Fannie Mae could be adversely impacted. These additional mandates and restrictions could have a material impact on our financial results in future periods.

Congress has also continued to consider housing finance reform. In the first session of the current Congress, members of Congress introduced several bills to reform the housing finance system. In June 2013, the "Housing Finance Reform and Taxpayer Protection Act of 2013" was introduced in the

Senate. The Senate bill, among other matters, would require the wind down of Fannie Mae and Freddie Mac within five years of enactment. In July 2013, the Financial Services Committee of the House of Representatives approved the "Protecting American Taxpayers and Homeowners Act of 2013." The House bill, among other matters, would require FHFA to place Fannie Mae and Freddie Mac into receivership within five years of enactment or potentially longer in certain circumstances. Both bills would place certain restrictions on Fannie Mae's and Freddie Mac's activities prior to being wound down or placed into receivership, as applicable.

In addition, two bills were introduced during the first session of the current Congress related to the terms of Fannie Mae's and Freddie Mac's senior preferred stock purchase agreements with the U.S. Treasury. The "Jumpstart GSE Reform Act," which was introduced in the Senate in March 2013, would prohibit Congress from increasing the GSEs' guaranty fees to offset spending unrelated to the business operations of the GSEs and also would prohibit Treasury from disposing of its GSE senior preferred stock until legislation has been enacted that includes specific instruction for its disposition. The "Let the GSEs Pay Us Back Act of 2013," which was introduced in the House of Representatives in June 2013, would require the amendment of Fannie Mae's and Freddie Mac's senior preferred stock purchase agreements with Treasury to, among other things, terminate the dividends on the senior preferred stock and allow Fannie Mae and Freddie Mac to repay the liquidation preference of the senior preferred stock.

Congress is expected to continue to consider housing finance reform in the current congressional session, including conducting hearings and considering legislation that would alter the housing finance system or the activities or operations of the GSEs. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding the future status of the GSEs. On March 11, 2014, the leaders of the U.S. Senate Banking Committee outlined plans for bipartisan sponsored legislation to wind down Fannie Mae and Freddie Mac, though no draft legislation has been formally released.

In August 2013, President Obama publicly discussed the Obama administration's housing policy priorities, including a core principle that included winding down Fannie Mae and Freddie Mac through a responsible transition. In a paper released by the White House, the Obama administration endorsed several initiatives to facilitate this transition, including the reduction of Fannie Mae's and Freddie Mac's investment portfolios by at least 15% per year through 2018, engaging in credit risk transfer pilot programs and continuing to develop a common securitization platform. In January 2014, the White House issued a fact sheet reaffirming the Obama administration's view that housing finance reform should include ending Fannie Mae and Freddie Mac's business model.

Currently, ACRE Capital originates a substantial majority of its loans for sale through Fannie Mae programs. Furthermore, a substantial majority of its servicing rights are derived from loans ACRE Capital sells through Fannie Mae programs. Changes in the business charter, structure or existence of Fannie Mae could eliminate or substantially reduce the number of loans ACRE Capital originates, which would have a material adverse effect on us. We cannot predict the extent to which these recommendations may be implemented, or the timing of when any implementation may occur.

If ACRE Capital fails to comply with the numerous government regulations and program requirements of Fannie Mae or HUD, it may lose its approved lender status and fail to gain additional approvals or licenses for its business. ACRE Capital is also subject to changes in laws, regulations and existing Fannie Mae and HUD program requirements, including potential increases in reserve and risk retention requirements that could increase its costs and affect the way it conducts its business, which could materially adversely affect ACRE Capital.

ACRE Capital's operations are subject to regulation by federal, state and local government authorities, various laws and judicial and administrative decisions, and regulations and policies of both HUD and Fannie Mae. These laws, regulations, rules and policies impose, among other things, minimum net worth, operational liquidity and collateral requirements. Fannie Mae requires ACRE

Capital to maintain operational liquidity based on a formula that considers the balance of the loan and the level of credit loss exposure ("level of risk-sharing"). Fannie Mae requires Fannie Mae DUS lenders to maintain collateral, which may include pledged securities, for ACRE Capital's risk-sharing obligations. The amount of collateral required under the Fannie Mae DUS program is calculated at the loan level and is based on the balance of the loan, the level of risk-sharing, the seasoning of the loans and the rating of the Fannie Mae DUS lender.

Regulatory authorities also require ACRE Capital to submit financial reports and to maintain a quality control plan for the underwriting, origination and servicing of loans. Numerous laws and regulations also impose qualification and licensing obligations on ACRE Capital and impose requirements and restrictions affecting, among other things: ACRE Capital's loan originations; maximum interest rates, finance charges and other fees that ACRE Capital may charge; disclosures to consumers; the terms of secured transactions; collection, repossession and claims handling procedures; personnel qualifications; and other trade practices. ACRE Capital is also subject to inspection by Fannie Mae and regulatory authorities and lender qualification and monitoring by HUD. ACRE Capital's failure to comply with these requirements could lead to, among other things, the loss of a license as an approved Fannie Mae or HUD lender, the inability to gain additional approvals or licenses, the termination of contractual rights without compensation, demands for indemnification or loan repurchases, class action lawsuits and administrative enforcement actions.

Regulatory and legal requirements are subject to change. For example, in March of 2013, Fannie Mae notified all DUS lenders that collateral requirements on existing mortgage loans that are considered Tier 1 as a result of a defensive refinance or modification were increasing from 90 basis points to 110 basis points, and that the collateral requirements for Tier 2 mortgage loans were increasing from 60 basis points to 75 basis points. The new requirements were implemented retroactive to January 1, 2013, but to lessen the impact on DUS lenders, the Tier 2 requirement is increasing gradually by three basis points per quarter until December 31, 2014. The collateral requirements for Tier 3 and Tier 4 mortgage loans were not changed, but the collateral requirements for new loans with Levels II and III loss sharing (for breach penalties) were raised from 98 basis points to 120 basis points and from 130 basis points to 140 basis points, respectively. Fannie Mae indicated that the next evaluation of DUS Capital Standards will occur on or before June 30, 2014. As of December 31, 2013, ACRE Capital had 567 loans, with a collective balance of $2.4 billion, in its portfolio that were affected by the announced collateral changes and we do not expect it will have a material impact on ACRE Capital's future operations; however, Fannie Mae has indicated that it would likely increase collateral requirements in the future, which may adversely impact us.

ACRE Capital is dependent upon the success of the multifamily real estate sector and conditions that negatively impact the multifamily sector may reduce demand for ACRE Capital's products and services and materially adversely affect us.

ACRE Capital provides commercial real estate financial products and services primarily to developers and owners of multifamily properties. Accordingly, the success of its business is closely tied to the overall success of the multifamily real estate market. Various changes in real estate conditions may impact the multifamily sector. Any negative trends in such real estate conditions may reduce demand for ACRE Capital's products and services and, as a result, adversely affect our results of operations. These conditions include:

- oversupply of, or a reduction in demand for, multifamily housing;
- a favorable interest rate environment that may result in a significant number of potential residents of multifamily properties deciding to purchase homes instead of renting;
- rent control or stabilization laws, or other laws regulating multifamily housing, which could affect the profitability of multifamily developments;

- the inability of residents and tenants to pay rent;
- increased competition in the multifamily sector based on considerations such as the attractiveness, location, rental rates, amenities and safety record of various properties; and
- increased operating costs, including increased real property taxes, maintenance, insurance and utilities costs.

Moreover, other factors may adversely affect the multifamily sector, including changes in government regulations and other laws, rules and regulations governing real estate, zoning or taxes, changes in interest rate levels, the potential liability under environmental and other laws and other unforeseen events. Any or all of these factors could negatively impact the multifamily sector and, as a result, reduce the demand for ACRE Capital's products and services. Any such reduction could materially adversely affect us.

RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock may fluctuate significantly.

Our common stock is listed on the NYSE under the trading symbol "ACRE." Recently, the global capital and credit markets have been in an extended period of volatility and disruption. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance.

Some of the factors that could negatively affect the market price of our common stock include:

- our actual or projected operating results, financial condition, cash flows and liquidity, or changes in business strategy or prospects;
- actual or perceived conflicts of interest with our Manager or Ares Management and individuals, including our executives;
- equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur;
- loss of a major funding source;
- actual or anticipated accounting problems;
- publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions to or departures of our Manager's or Ares Management's key personnel;
- speculation in the press or investment community;
- increases in market interest rates, which may lead investors to demand a higher distribution yield for our common stock and would result in increased interest expenses on our debt;
- failure to maintain our REIT qualification or exemption from the 1940 Act;
- price and volume fluctuations in the overall stock market from time to time;
- general market and economic conditions, and trends including inflationary concerns, the current state of the credit and capital markets;

- significant volatility in the market price and trading volume of securities of publicly traded REITs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to REITs;
- changes in the value of our portfolio;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- short-selling pressure with respect to shares of our common stock or REITs generally;
- uncertainty surrounding the strength of the U.S. economic recovery particularly in light of the recent downgrade of the U.S. Government's credit rating; and
- concerns regarding European sovereign debt.

As noted above, market factors unrelated to our performance could also negatively impact the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets can affect the market value of our common stock. For instance, if interest rates rise, it is likely that the market price of our common stock will decrease as market rates on interest-bearing securities increase.

Common stock eligible for future sale may have adverse effects on our share price.

As of December 31, 2013 and 2012, we had 28,506,977 and 9,267,162 shares of common stock outstanding, respectively, on a fully diluted basis. Of the shares outstanding as of December 31, 2013, 28,433,990 shares of our common stock are freely tradable without restriction or limitation under the Securities Act.

Prior to our IPO, there was no established trading market for our common stock. We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. The market price of our common stock may decline significantly when the restrictions on resale by certain of our stockholders lapse. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock.

We may issue additional restricted common stock and other equity-based awards under our 2012 Equity Incentive Plan. We may continue to issue additional shares in subsequent public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future share issuances, which may dilute the existing stockholders' interests in us.

We have not established a minimum distribution payment level and we may be unable to generate sufficient cash flows from our operations to make distributions to our stockholders at any time in the future.

We are generally required to annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gains, for us to qualify as

a REIT, which requirement we currently intend to satisfy through quarterly distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this annual report. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- our ability to make profitable investments;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that we will be able to make distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect us.

In addition, distributions that we make to our stockholders out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), and not designated by us as capital gain dividends or qualified dividend income, generally will be taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as capital gain dividends and generally will be taxable to our stockholders as long-term capital gain to the extent that such distributions do not exceed our actual net capital gain for the taxable year, without regard to the period for which the stockholder that receives such distribution has held its stock. Distributions in excess of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, and not designated by us as capital gain dividends or qualified dividend income, may constitute a return of capital. A return of capital is not taxable, but has the effect of reducing the basis of a stockholder's investment in our common stock, but not below zero.

Our distributions may exceed our cash flow from our operations and our earnings.

We intend to make regular quarterly distributions to holders of our common stock. The regular quarterly cash distributions we pay are expected to be principally sourced by cash flow from operating activities. However, there can be no assurance that our earnings or cash flow from operating activities will be sufficient to cover our future distributions, and we may use other sources of funds, such as from offering proceeds, borrowings and asset sales, to fund portions of our future distributions. Our distributions for the years ended December 31, 2013 and 2012 exceeded, and future distributions may exceed, our cash flow from operating activities and earnings primarily because we have been in the initial stages of building our investment portfolio and as a result our earnings have been highly sensitive to a number of variables, including the pace and timing of new originations and our level of operating expenses. Such distributions reduce the amount of cash we have available for investing and other purposes and could be dilutive to our financial results.

Investing in our common stock may involve a high degree of risk.

The investments that we make in accordance with our investment objectives may result in a high amount of risk when compared to alternative investment options and volatility or loss of principal. Our investments may be highly speculative and aggressive, and therefore an investment in our common stock may not be suitable for someone with lower risk tolerance.

Future offerings of securities may adversely affect the market price of our common stock.

If we decide to issue securities that are senior to or convertible or exchangeable for our common stock, such securities may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue such securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

Our stockholders may experience dilution upon the conversion of the 2015 Convertible Notes.

Our 2015 Convertible Notes are convertible into shares of our common stock beginning on June 15, 2015 or, under certain circumstances, earlier. Upon conversion of the 2015 Convertible Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The current conversion price of the 2015 Convertible Notes is approximately $18.65 per share, subject to adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders may incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the 2015 Convertible Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

The Maryland General Corporation Law, or the "MGCL," prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under the MGCL, "business combinations" between a Maryland corporation and an "interested stockholder" or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as: (a) any person who beneficially owns 10% or more of the voting power of the then-outstanding voting stock of the corporation; or (b) an affiliate or associate of the corporation who,

at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the expiration of the five-year period described above, any business combination between the Maryland corporation and an interested stockholder must generally be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then-outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected, or held by an affiliate or associate of the interested stockholder.

These supermajority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The MGCL also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has adopted a resolution exempting any business combination with Ares Investments or any of its affiliates. Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and Ares Investments or any of its affiliates. As a result, Ares Investments or any of its affiliates may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the supermajority vote requirements and the other provisions of the statute. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Stockholders have limited control over changes in our policies and operations.

Our board of directors determines our major policies, including with regard to financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under our charter and the MGCL, our stockholders generally have a right to vote only on the following matters:

- the election or removal of directors;
- the amendment of our charter, except that our board of directors may amend our charter without stockholder approval to:
  - change our name;
  - change the name or other designation or the par value of any class or series of stock and the aggregate par value of our stock;
  - increase or decrease the aggregate number of shares of stock that we have the authority to issue;
  - increase or decrease the number of shares of any class or series of stock that we have the authority to issue; and

- effect certain reverse stock splits;
- our liquidation and dissolution; and
- our being a party to a merger, consolidation, sale or other disposition of all or substantially all of our assets or statutory share exchange.

All other matters are subject to the discretion of our board of directors.

Our authorized but unissued shares of common and preferred stock may prevent a change in control.

Our charter authorizes us to issue up to 450,000,000 shares of common stock and 50,000,000 shares of preferred stock without stockholder approval. In addition, our board of directors may, without stockholder approval, amend our charter from time to time to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a class or series of shares of common or preferred stock that could delay or prevent a merger, third-party tender offer or similar transaction or a change in incumbent management that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Maintenance of our exemption from registration under the 1940 Act imposes significant limits on our operations. Your investment return may be reduced if we are required to register as an investment company under the 1940 Act.

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned subsidiaries, the securities issued by these subsidiaries that are excepted from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excepted from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds 40% of our total assets on an unconsolidated basis, or if one or more of such subsidiaries fail to maintain an exception or exemption from the 1940 Act, we could, among other things, be required to either (a) substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exemption would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we might be required to terminate our management agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

We expect that certain subsidiaries that we may form in the future will rely upon the exemption from registration as an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exemption generally requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations we may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with our classification of our assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. If we are required to re-classify our assets, we may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the 1940 Act. To the extent that the SEC staff publishes new or different guidance with respect to any assets we have determined to be qualifying real estate assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

The SEC has not published guidance with respect to the treatment of CMBS for purposes of the Section 3(c)(5)(C) exemption. Unless we receive further guidance from the SEC or its staff with respect to CMBS, we intend to treat CMBS as a real estate-related asset.

Certain of our subsidiaries may rely on the exemption provided by Section 3(c)(6) to the extent that they hold mortgage assets through majority-owned subsidiaries that rely on Section 3(c)(5)(C). The SEC staff has issued little interpretive guidance with respect to Section 3(c)(6) and any guidance published by the staff could require us to adjust our strategy accordingly.

We determine whether an entity is one of our majority-owned subsidiaries. The 1940 Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat companies in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We have not requested the SEC to approve our treatment of any company as a majority-owned subsidiary and the SEC has not done so. If the SEC were to disagree with our treatment of one or more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

On August 31, 2011, the SEC issued a concept release titled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage-Related Instruments" (SEC Release No. IC-29778). Under the concept release, the SEC is reviewing interpretive issues relating to Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the exemption and whether mortgage REITs should be regulated in a manner similar to investment companies. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including the SEC or its staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations. If we or our subsidiaries fail to maintain an exception or exemption from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions which could have an adverse effect on our business and the market price for our shares of common stock.

Rapid and steep declines in the values of our CRE finance-related investments may make it more difficult for us to maintain our qualification as a REIT or exemption from the 1940 Act.

If the market value or income potential of real estate-related investments declines as a result of increased interest rates or other factors, we may need to increase our real estate investments and income and/or liquidate our non-qualifying assets in order to maintain our REIT qualification or exemption from the 1940 Act. If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets that we may own. We may have to make investment decisions that we otherwise would not make absent the REIT and 1940 Act considerations.

Our rights and the rights of our stockholders to recover on claims against our directors and officers are limited, which could reduce our stockholders and our recovery against them if they negligently cause us to incur losses.

The MGCL provides that a director has no liability in such capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. A director who performs his or her duties in accordance with the foregoing standards should not be liable to us or any other person for failure to discharge his or her obligations as a director.

In addition, our charter provides that our directors and officers will not be liable to us or our stockholders for monetary damages unless the director or officer actually received an improper benefit or profit in money, property or services, or is adjudged to be liable to us or our stockholders based on a finding that his or her action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Our bylaws require us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any individual who is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. With the approval of our board of directors, we may provide such indemnification and advance for expenses to any individual who served a predecessor of the Company in any of the

capacities described above and any employee or agent of the Company or a predecessor of the Company, including our Manager and its affiliates.

We also are permitted to purchase and maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, including our Manager and its affiliates, against any liability asserted which was incurred in any such capacity with us or arising out of such status. This may result in us having to expend significant funds, which will reduce the available cash for distribution to our stockholders.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two-thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum, and any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of the Company that is in the best interests of our stockholders. Pursuant to our charter, our board of directors is divided into three classes of directors serving staggered three year terms. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our stockholders.

Ownership limitations may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to maintain our qualification as a REIT, commencing with our taxable year ended December 31, 2012, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of each taxable year after 2012. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person (except Ares Investments which is subject to a 22% excepted holder limit) from directly or indirectly owning more than 9.8% in value of the outstanding shares of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. This ownership limitation could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

U.S. FEDERAL INCOME TAX RISKS

Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax, and would adversely affect our operations and the market price of our common stock.

We have elected and qualified to be taxed as a REIT commencing with our taxable year ended December 31, 2012. However, we may terminate our REIT qualification, if our board of directors determines that not qualifying as a REIT is in the best interests of our stockholders, or inadvertently. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We have structured and intend to continue structuring our activities in a manner designed to satisfy all the requirements for qualification as a REIT. The REIT qualification requirements are extremely complex and

interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Accordingly, we cannot be certain that we will be successful in operating so we can qualify or remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the Internal Revenue Service (the "IRS") such recharacterization could jeopardize our ability to satisfy all the requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to maintain our qualification as a REIT for any taxable year, and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

REITs, in certain circumstances, may incur tax liabilities that would reduce our cash available for distribution to you.

Even if we maintain our status as a REIT, we may be subject to U.S. federal income taxes and related state and local taxes. For example, net income from the sale of properties that are "dealer" properties sold by a REIT (a "prohibited transaction" under the Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. Similarly, if we were to fail an income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect) we would be subject to tax on the income that does not meet the income test requirements. We also may decide to retain net capital gain we earn from the sale or other disposition of our property and pay U.S. federal income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also will be subject to corporate tax on any undistributed REIT taxable income. We also may be subject to state and local taxes on our income or property, including franchise, payroll, mortgage recording and transfer taxes, either directly or at the level of the other companies through which we indirectly own our assets, such as our TRSs, which are subject to full U.S. federal, state, local and foreign corporate-level income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to you.

To qualify as a REIT we must meet annual distribution requirements, which may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our investment objectives and reduce your overall return.

In order to maintain our status as a REIT, we must annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. We will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (a) 85% of our ordinary income, (b) 95% of our

capital gain net income and (c) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings while we qualify as a REIT, it is possible that we might not always be able to do so.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT, we will be subject to a 100% penalty tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, but generally excluding TRSs, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. While we qualify as a REIT, we will avoid the 100% prohibited transaction tax by (a) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS will incur corporate rate income taxes with respect to any income or gain recognized by it), (b) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or through any subsidiary, will be treated as a prohibited transaction, or (c) structuring certain dispositions of our properties to comply with a prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. However, no assurance can be given that any particular property we own, directly or through any subsidiary entity, but generally excluding TRSs, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans that would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held as inventory or primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to sell or securitize loans in a manner that was treated as a sale of the loans as inventory for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans, other than through a TRS, and we may be required to limit the structures we use for our securitization transactions, even though such sales or structures might otherwise be beneficial for us.

TRSs are subject to corporate-level taxes and dealings with TRSs may be subject to 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRS. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the gross value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of

corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

TRS Holdings, ACRC TRS and other TRSs that we may form will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but will not be required to be distributed to us, unless necessary to maintain our REIT qualification. While we will be monitoring the aggregate value of the securities of our TRSs and intend to conduct our affairs so that such securities will represent less than 25% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

Our investments in certain debt instruments may cause us to recognize income for U.S. federal income tax purposes even though no cash payments have been received on the debt instruments, and certain modifications of such debt by us could cause the modified debt to not qualify as a good REIT asset, thereby jeopardizing our REIT qualification.

Our taxable income may substantially exceed our net income as determined based on GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, we may acquire assets, including debt securities requiring us to accrue OID or recognize market discount income, that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. In addition, if a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income with the effect that we will recognize income but will not have a corresponding amount of cash available for distribution to our stockholders.

As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and find it difficult or impossible to meet the REIT distribution requirements in certain circumstances. In such circumstances, we may be required to (a) sell assets in adverse market conditions, (b) borrow on unfavorable terms, (c) distribute amounts that would otherwise be used for future acquisitions or used to repay debt, or (d) make a taxable distribution of our shares of common stock as part of a distribution in which stockholders may elect to receive shares of common stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements.

Moreover, we may acquire distressed debt investments that require subsequent modification by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt taxable exchange with the borrower. This deemed reissuance may prevent the modified debt from qualifying as a good REIT asset if the underlying security has declined in value and would cause us to recognize income to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt.

The failure of mortgage loans subject to a repurchase agreement or a mezzanine loan to qualify as a real estate asset would adversely affect our ability to qualify as a REIT.

We have entered into repurchase agreements under which we will nominally sell certain of our assets to counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we will be treated for U.S. federal income tax purposes as the owner of the assets that are the subject of any such agreements notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the repurchase agreement, in which case we could fail to qualify as a REIT.

In addition, in order for a loan to be treated as a qualifying real estate asset producing qualifying income for purposes of the REIT asset and income tests, generally the loan must be secured by real property. We may originate or acquire mezzanine loans that are not directly secured by real property but instead secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan that is not secured by real estate would, if it meets each of the requirements contained in the Revenue Procedure, be treated by the IRS as a qualifying real estate asset. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law and in many cases it may not be possible for us to meet all the requirements of the safe harbor. We cannot provide assurance that any mezzanine loan in which we invest would be treated as a qualifying asset producing qualifying income for REIT qualification purposes. If any such loan fails either the REIT income or asset tests, we may be disqualified as a REIT.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, and also to what extent those securities constitute real estate assets for purposes of the asset tests and produce qualifying income for purposes of the 75% gross income test. In addition, when purchasing the equity tranche of a securitization, we may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U.S. corporate income tax and the qualification of interests in such securitization as debt for U.S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate level tax.

The taxable mortgage pool, or "TMP," rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Securitizations by us or our subsidiaries could result in the creation of TMPs for U.S. federal income tax purposes. As a result, we could have "excess inclusion income." Certain categories of stockholders, such as non-U.S. stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to any such excess inclusion income. In the case of a stockholder that is a REIT, regulated investment company ("RIC") common trust fund or other pass-through entity, our allocable share of our excess inclusion income could be considered excess inclusion income of such entity. In addition, to the extent that our common stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of any excess inclusion income. Because this tax generally would be imposed on us, all of our stockholders, including stockholders that are not disqualified organizations, generally will bear a portion of the tax cost associated with the classification of us or a portion of our assets as a TMP. A RIC, or other pass-through entity owning our common stock in record name will be subject to tax at the highest U.S. federal corporate tax rate on any excess inclusion income allocated to their owners that are disqualified organizations. Moreover, we could face limitations in selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. Finally, if we were to fail to qualify as a REIT, any TMP securitizations would be treated as separate taxable corporations for U.S. federal income tax purposes that could not

be included in any consolidated U.S. federal corporate income tax return. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

We may choose to make distributions in our own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive.

In connection with our qualification as a REIT, we are required to annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our common stock (which could account for up to 80% of the aggregate amount of such distributions) at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount it must include in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our common stock.

Various tax aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends.

Currently, the maximum tax rate applicable to qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for this reduced rate. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

If we were considered to actually or constructively pay a "preferential dividend" to certain of our stockholders, our status as a REIT could be adversely affected.

In order to maintain our qualification as a REIT, we must annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution

requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be "preferential dividends." A dividend is not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the IRS's position regarding whether certain arrangements that REITs have with their stockholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment program inadvertently causing a greater than 5% discount on the price of such stock purchased). There is no de minimis exception with respect to preferential dividends; therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed to have failed the 90% distribution test, and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, we can provide no assurance to this effect.

Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs are subject to tax on gains and may expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of such TRS.

Complying with REIT requirements may force us to forgo and/or liquidate otherwise attractive investment opportunities.

To maintain our qualification as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate assets from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the price of our common stock.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. You are urged to consult with your tax advisor with respect to the impact of recent legislation on your investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. You also should note that our counsel's tax opinion is based upon existing law, applicable as of the date of its opinion, all of which will be subject to change, either prospectively or retroactively.

Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interest of our stockholders.

Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.

If (a) we are a "pension-held REIT," (b) a tax-exempt stockholder has incurred (or is deemed to have incurred) debt to purchase or hold our common stock or (c) a holder of common stock is a certain type of tax-exempt stockholder, dividends on, and gains recognized on the sale of, common stock by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Code.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operation. Our principal executive offices are located at One North Wacker Drive, 48th Floor, Chicago, IL 60606. Our principal executive and certain of our other offices are leased by our Manager or one of its affiliates from third parties and pursuant to the terms of our management agreement, we reimburse our Manager (or its affiliate, as applicable) for our pro rata portion of such offices' rent. Additionally, we currently maintain operating leases for offices related to our subsidiary, ACRE Capital.

Item 3. Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings including in the ordinary course of our business. While we do not expect that the resolution of these matters if they arise would materially affect our business, financial condition or results of operations, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

PRICE RANGE OF COMMON STOCK AND DIVIDEND PAYMENTS

Our common stock began trading on the NYSE under the symbol "ACRE" on April 25, 2012. On March 14, 2014, the closing price of our common stock, as reported on the NYSE, was $13.40 per share. The following table sets forth, for the periods indicated, the high and low closing sales prices per share for our common stock, and the dividends paid with respect to such shares for each fiscal quarter for the year ended December 31, 2013 and 2012.

	High	Low	Cash Dividends Declared Per Share of Common Stock
Year Ended December 31, 2013			
First quarter	$ 17.47	$ 16.62	$ 0.25(1)
Second quarter	$ 16.98	$ 12.71	$ 0.25(2)
Third quarter	$ 13.25	$ 12.19	$ 0.25(3)
Fourth quarter	$ 13.67	$ 12.30	$ 0.25(4)

	High	Low	Cash Dividends Declared Per Share of Common Stock
Year Ended December 31, 2012			
First quarter(5)	$ —	$ —	$ 0.30(7)
Second quarter(6)	$ 18.00	$ 16.35	$ 0.06(8)
Third quarter	$ 17.62	$ 16.31	$ 0.06(9)
Fourth quarter	$ 17.08	$ 15.60	$ 0.25(10)

(1) On March 14, 2013, we declared a cash dividend of $0.25 per common share of our common stock, payable on April 18, 2013 to our common stockholders of record on April 8, 2013.

(2) On May 15, 2013, we declared a cash dividend of $0.25 per share of our common stock, payable on July 18, 2013 to common stockholders as of June 28, 2013.

(3) On August 7, 2013, we declared a cash dividend of $0.25 per share of common stock, payable on October 17, 2013 to common stockholders of record as of September 30, 2013.

(4) On November 13, 2013, we declared a cash dividend of $0.25 per share of common stock, payable on January 22, 2014 to our common stockholders of record on December 31, 2013.

(5) Sales price information for this period is unavailable because shares of our common stock did not begin trading publicly until April 25, 2012.

(6) Information is provided only for the period from April 25, 2012 to June 30, 2012, as shares of our common stock did not begin trading publicly until April 25, 2012.

(7) On March 30, 2012, we declared a cash dividend of $0.30 per share of our common stock, payable on April 2, 2012 to our common stockholder of record on March 31, 2012.

(8) On June 19, 2012, we declared a cash dividend of $0.06 per share of our common stock, payable on July 12, 2012 to our common stockholders of record on June 29, 2012.

(9) On September 21, 2012, we declared a cash dividend of $0.06 per share of our common stock, payable on October 11, 2012 to our common stockholders of record on October 2, 2012.

(10) On November 7, 2012, we declared a cash dividend of $0.25 per share of our common stock, payable on January 10, 2013 to our common stockholders of record on December 31, 2012.

On March 17, 2014, we declared a cash dividend of $0.25 per share of our common stock, payable on April 16, 2014 to our common stockholders of record on March 31, 2014.

HOLDERS

As of March 14, 2014, there were 24 holders of record of our common stock. This number does not include beneficial owners who hold shares of our common stock in nominee name.

DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of our common stock (including holders of our restricted common stock). U.S. federal income tax law generally requires that a REIT annually distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and to the extent that it distributes less than 100% of its net taxable income in any taxable year, that it pay tax at regular corporate rates on that undistributed portion. We intend to make regular quarterly distributions to our stockholders in an amount equal to or greater than our net taxable income, if and to the extent authorized by our board of directors.

We cannot assure our stockholders, however, that the current level of distributions will be sustained, as any distributions that we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could materially alter our expectations. Before we make any distributions, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our secured funding agreements, other lending facilities, repurchase agreements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Any distributions we make to our stockholders will be at the discretion of our board of directors and will depend upon our earnings, financial condition, liquidity, debt covenants, funding or margin requirements under securitizations, warehouse facilities or other secured and unsecured borrowing agreements, maintenance of our REIT qualification, applicable provisions of the Maryland General Corporation Law, and such other factors as our board of directors deems relevant. The Wells Fargo Facility and the Citibank Facility provide that if an event of default is continuing, then we may make distributions only to the extent necessary to maintain our status as a REIT. Our earnings, financial condition and liquidity will be affected by various factors, including the net interest and other income from our portfolio, our operating expenses and any other expenditures. See "Risk Factors."

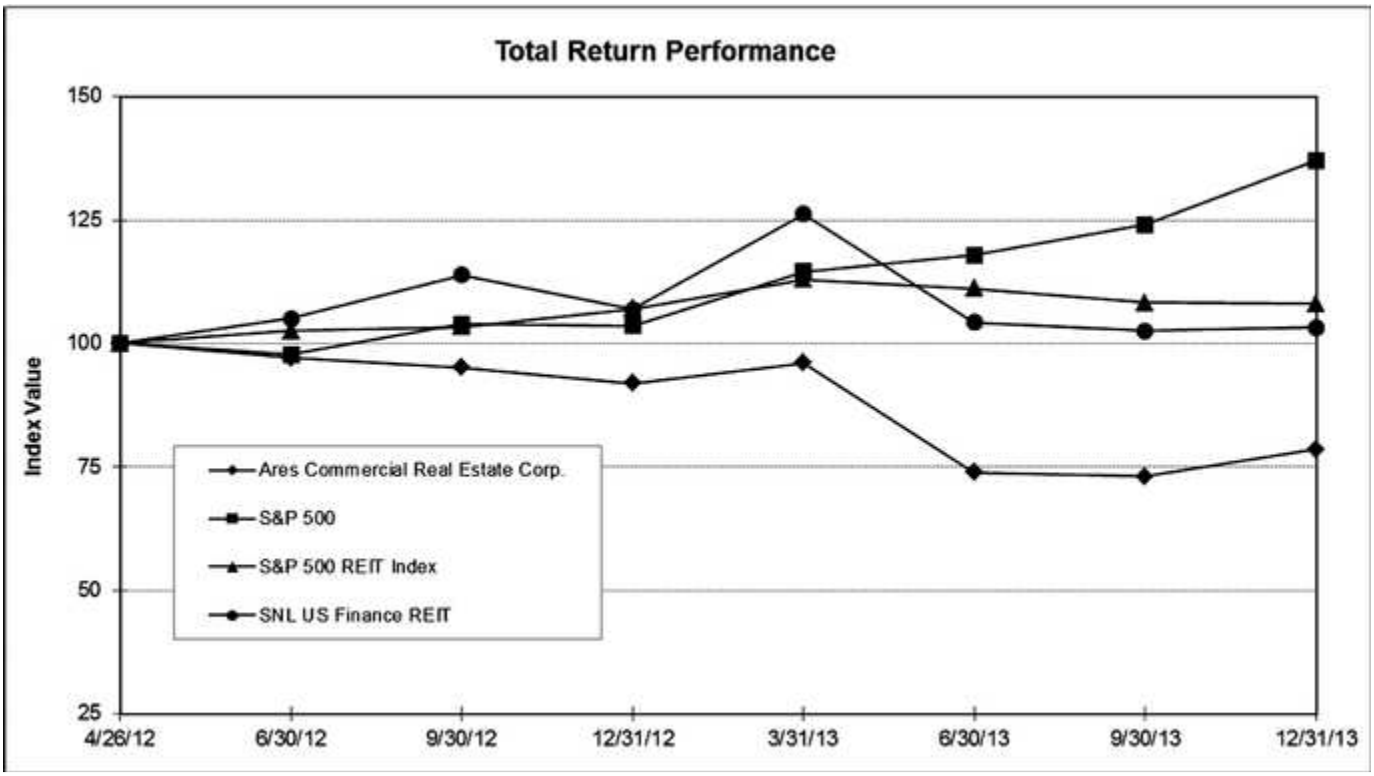
Distributions that stockholders receive (not designated as capital gain dividends or qualified dividend income) will be taxed as ordinary income to the extent they are paid from our earnings and profits (as determined for U.S. federal income tax purposes). However, distributions that we designate as capital gain dividends generally will be taxable as long-term capital gain to our stockholders to the extent that they do not exceed our actual net capital gain for the taxable year. Some portion of these distributions may not be subject to tax in the year in which they are received because depreciation expense reduces the amount of taxable income, but does not reduce cash available for distribution. The portion of our stockholders distribution that is not designated as a capital gain dividend and is in excess of our current and accumulated earnings and profits is considered a return of capital for U.S. federal income tax purposes and will reduce the adjusted tax basis of their investment, but not below zero, deferring such portion of their tax until their investment is sold or our company is liquidated, at which time they will be taxed at capital gain rates (subject to certain exceptions for corporate stockholders). To the extent such portion of our stockholders distribution exceeds the adjusted tax basis of their investment, such excess will be treated as capital gain if they hold their shares of common stock as a capital asset for U.S. federal income tax purposes. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income for distribution in the following year, and pay any applicable excise tax. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. Please note that each stockholder's tax considerations are different, therefore, our stockholders should consult with their own tax advisor and financial planners prior to making an investment in our shares.

RECENT SALES OF UNREGISTERED EQUITY SECURITIES

We have reported all sales of our unregistered equity securities that occurred during the period covered by this report in our Reports on Form 10-Q or Form 8-K, as applicable.

STOCK PERFORMANCE GRAPH

Comparison of Cumulative Total Return



SOURCE: SNL Financial LC and Standard & Poor's Institutional Services
NOTES: Assumes $100 invested on April 26, 2012 (the date ACRE's shares began trading in connection with the IPO) in ACRE, in S&P 500 Index and in S&P 500 REIT Index. Assumes all dividends are reinvested on the respective dividend payment dates without commissions.

	6/30/12	9/30/12	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13
ACRE	97.11	95.12	91.88	96.06	73.85	73.04	78.51
S&P 500 Index	97.72	103.93	103.54	114.52	117.85	124.03	137.07
SNL US Financ REIT	105.11	113.92	106.89	126.19	104.30	102.55	103.24
S&P 500 REIT Index	102.51	103.37	107.01	112.98	111.09	108.27	108.06

For the graph and chart above, we have included the SNL US Finance REIT as we believe the companies included in such index are more representative of our line-of-business than the companies included in the S&P 500 REIT Index. Given that this is the first year that the SNL US Finance REIT Index is being presented, we have also included the S&P 500 REIT Index, which was previously presented in the preceding year's Form 10-K.

The graph and other information furnished under this Part II Item 5(d) of this Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, as amended.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

On April 23, 2012, we adopted, and our stockholders approved, our 2012 Equity Incentive Plan. Pursuant to our 2012 Equity Incentive Plan, we may grant awards consisting of restricted shares of our common stock, restricted stock units and/or other equity-based awards to our outside directors, our Chief Financial Officer, our Manager and other eligible awardees under the plan, subject to an aggregate limitation of 690,000 shares of common stock (7.5% of the issued and outstanding shares of our common stock immediately after giving effect to the issuance of the shares sold in the IPO). As of December 31, 2013 and 2012, 17.0% and 9.7%, respectively, of the shares reserved under our 2012 Equity Incentive Plan, or a total of 117,152 and 67,162 restricted shares, respectively, of our common stock, had been granted and 83.0% and 90.3%, respectively, of the shares reserved, or 572,848 and 622,838 shares, respectively, remained available for future issuance under our 2012 Equity Incentive Plan. Aside from our 2012 Equity Incentive Plan, we have no other compensation plans or arrangements under which our securities may be issued (whether or not approved by our stockholders). For further discussion of our 2012 Equity Incentive Plan, see Note 11 to the consolidated financial statements included elsewhere in this annual report.

The following table presents certain information about our equity compensation plans as of December 31, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column of this table)(1)
Equity compensation plans approved by stockholders	—	$ —	572,848
Equity compensation plans not approved by stockholders	—	—	—
Total	—	$ —	572,848

(1) The securities shown in this column may be issued as restricted stock, restricted stock units and/or other equity-based awards to eligible awardees under our 2012 Equity Incentive Plan.

Item 6. Selected Financial Data

The following selected financial and other data for the years ended December 31, 2013 and 2012, and for the period from September 1, 2011 (Inception) to December 31, 2011 is derived from our consolidated financial statements and related notes, which have been audited by Ernst & Young, LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this annual report. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this annual report.

ARES COMMERICAL REAL ESTATE CORPORATION
SELECTED FINANCIAL DATA
(in thousands, except share and per share data)

	For the Year Ended December 31,		For the Period from September 1, 2011 (Inception) to December 31, 2011
	2013	2012	
Operating Data:			
Net interest margin:			
Interest income from loans held for investment	$ 37,600	$ 9,278	$ 3
Interest expense	(8,774)	(2,342)	(39)
Net interest margin	28,826	6,936	(36)
Mortgage banking revenue:			
Servicing fees, net	5,802	—	—
Gains from mortgage banking activities	5,328	—	—
Provision for loss sharing	(6)	—	—
Change in fair value of mortgage servicing rights	(2,697)	—	—
Mortgage banking revenue	8,427	—	—
Other income	1,333	—	—
Total revenue	38,586	6,936	(36)
Total operating expenses	30,821	5,979	127
Changes in fair value of derivatives	1,739	(97)	—
Income from operations before gain on acquisition and income taxes	9,504	860	(163)
Net income (loss) attributable to common stockholders	13,766	186	(163)
Net income (loss) per share of common stock:			
Basic and diluted	$ 0.72	$ 0.03	$ (8.56)
Dividends declared per share of common stock	$ 1.00	$ 0.67(1)	$ —
Weighted-average shares of common stock outstanding:			
Basic	18,989,500	6,532,706	19,052
Diluted	19,038,152	6,567,309	19,052
Balance Sheet Data:			
Cash and cash equivalents	$ 20,100	$ 23,390	$ 1,240
Loans held for investment	958,495	353,500	4,945
Mortgage servicing rights	59,640	—	—
Total assets	1,176,915	387,859	7,587
Total secured funding agreements	264,419	144,256	—
Total unsecured debt	67,815	67,289	—
Commercial mortgage-backed securitization debt (consolidated VIE)	395,027	—	—
Total liabilities	770,699	222,421	1,150
Total stockholders' equity	406,216	165,438	6,437

(1) Included is a dividend of $450 ($0.30 per share), which was based on 1,500,000 shares outstanding as of March 31, 2012.

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

OVERVIEW

We are a specialty finance company that is primarily focused on directly originating, managing and servicing a diversified portfolio of commercial real estate ("CRE") debt-related investments for our own account. Our target investments include senior loans, bridge loans, subordinated mortgages and B-Notes, preferred equity and other CRE-related investments. Through our Manager, we have investment professionals strategically located across the nation who directly source new loan opportunities for us with owners, operators and sponsors of CRE properties. We generally hold our loans for investment and earn interest and interest-related income. This is our primary business segment, referred to as the principal lending business.

We are also engaged in the mortgage banking business through our wholly owned subsidiary, ACRE Capital LLC, which we believe is complementary to our principal lending business. In this business segment, we directly originate long-term senior loans collateralized by multifamily and senior-living properties and sell them to third parties pursuant to GSE programs. While we earn little interest income from these activities as we generally only hold loans for short periods, we receive origination fees when we close loans and sale premiums when we sell loans. We also retain the rights to service the loans, which are known as MSRs and receive fees for providing such service during the life of the loans which generally last ten years or more.

Because we operate both as a principal lender and a mortgage banker (with respect to loans collateralized by multifamily and senior-living properties), we can offer a wider array of financing solutions to our customers, including (i) short and long-term loans ranging from one to ten (or more) years, (ii) bridge and permanent loans, (iii) floating and fixed rate loans, and (iv) loans collateralized by development, value-add (or transitional) and stabilized properties. We also have the flexibility to provide a combination of solutions to our customers, including instances where our principal lending business provides a short-term, bridge loan to an owner of multifamily properties while our mortgage banking business seeks long-term permanent financing for the same customer. This provides us the opportunity to offer a customer an efficient "one stop" financial product and at the same time to earn revenues at multiple times in the relationship with the customer. First, we earn interest and interest-related income while holding the short term bridge loan. Second, we earn origination fees and sale premiums when we provide permanent financing and sell the loans under GSE programs. And, third, we earn servicing fees from MSRs that we retain on the permanent loans.

We were formed and commenced operations in late 2011. We are a Maryland corporation and completed our initial public offering (the "IPO") in May 2012. We are externally managed by our Manager, a wholly owned subsidiary of Ares Management, a global alternative asset manager and a SEC registered investment adviser, pursuant to the terms of a management agreement.

We have elected and qualified to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our taxable year ended December 31, 2012. We generally will not be subject to U.S. federal income taxes on our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, to the extent that we annually distribute all of our REIT taxable income to stockholders and comply with various other requirements as a REIT.

In connection with the Acquisition, we created a wholly owned subsidiary, ACRE Capital Holdings LLC ("TRS Holdings"), to hold the common units of ACRE Capital. An entity classification election to be taxed as a corporation and a taxable REIT subsidiary ("TRS") election were made with respect to TRS Holdings. In addition, in December 2013, we formed a new wholly owned subsidiary, ACRC Lender W TRS LLC ("ACRC TRS"), for which an entity classification election to be taxed as a corporation and a TRS election were made, in order to issue and hold certain loans intended for sale. A TRS is an entity taxed as a corporation other than a REIT in which a REIT directly or indirectly

holds equity, and that has made a joint election with such REIT to be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by we without jeopardizing our qualification as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on our taxable income. In addition, as a REIT, we also may be subject to a 100% excise tax on certain transactions between it and our TRS that are not conducted on an arm's-length basis.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. However, we chose to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.0 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than $1.0 billion in non-convertible debt during the preceding three year period.

Factors Impacting Our Operating Results

The results of our operations are affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply of, and demand for, commercial mortgage loans, CRE debt and other financial assets in the marketplace. Our net interest income, which reflects the amortization of origination fees and direct costs, is recognized based on the contractual rate and the outstanding principal balance of the loans we originate. Interest rates will vary according to the type of investment, conditions in the financial markets, credit worthiness of our borrowers, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be impacted by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers.

Changes in Fair Value of Our Assets. In our principal lending business, we generally hold our target investments as long-term investments. We evaluate our investments for impairment on at least a quarterly basis and impairments will be recognized when it is probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we will record an allowance to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate, or if repayment is expected solely from the collateral, the fair value of the collateral.

Loans are collateralized by real estate and as a result, the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower, are regularly evaluated. We monitor performance of our investment portfolio under the following methodology: (1) borrower review, which analyzes the borrower's ability to execute on its original business plan, reviews its financial condition, assesses pending litigation and considers its general level of responsiveness and cooperation; (2) economic review, which considers underlying collateral, i.e., leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service as well as the residual loan balance at maturity; (3) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (4) market review,

which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective. Such impairment analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, and the borrower's exit plan, among other factors.

As of December 31, 2013 and 2012, all loans were paying in accordance with their terms. There were no impairments during the years ended December 31, 2013, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011.

Although we generally hold our target investments as long-term investments within our principal lending business, we may occasionally classify some of our investments as available-for-sale; provided that such classification would not jeopardize our ability to maintain our qualification as a REIT. Investments classified as available-for-sale will be carried at their fair value, with changes in fair value recorded through accumulated other comprehensive income, a component of stockholders' equity, rather than through earnings. Additionally, ACRE Capital originates multifamily mortgage loans, which are recorded at fair value. The holding period for these loans held for sale is approximately 30 days. At this time, we do not expect to hold any of our investments for trading purposes.

Changes in Market Interest Rates. With respect to our business operations, increases in interest rates, in general, may over time cause:

- the interest expense associated with our borrowings to increase, subject to any applicable ceilings;
- the value of our mortgage loans to decline;
- coupons on our mortgage loans to reset to higher interest rates; and
- to the extent we enter into interest rate swap agreements as part of our hedging strategy where we pay fixed and receive floating interest rates, the value of these agreements to increase.

Conversely, decreases in interest rates, in general, may over time cause:

- the interest expense associated with our borrowings to decrease, subject to any applicable floors;
- the value of our mortgage loan portfolio to increase, for such mortgages with applicable floors;
- coupons on our floating rate mortgage loans to reset to lower interest rates; and
- to the extent we enter into interest rate swap agreements as part of our hedging strategy where we pay fixed and receive floating interest rates, the value of these agreements to decrease.

Credit Risk. We are subject to varying degrees of credit risk in connection with our target investments. Our Manager seeks to mitigate this risk by seeking to originate or acquire investments of higher quality at appropriate prices given anticipated and unanticipated losses, by employing a comprehensive review and selection process and by proactively monitoring originated or acquired investments. Nevertheless, unanticipated credit losses could occur that could adversely impact our operating results and stockholders' equity.

Market Conditions. We believe that our target investments currently present attractive risk-adjusted return profiles, given the underlying property fundamentals and the competitive landscape for the type of capital we provide. Following a dramatic decline in CRE lending in 2008 and 2009, debt capital has become more readily available for select stabilized, high quality assets in certain locations such as gateway cities, but remains muted for many other types of properties, either because of the markets in which they are located or because the property is undergoing some form of value creation transition. More particularly, the available financing products tend to come with limited flexibility, especially with respect to prepayment. Consequently, we anticipate a high demand for the type of

customized debt financing we provide from borrowers or sponsors who are looking to refinance indebtedness that is maturing in the next two to five years or are seeking shorter-term debt solutions as they reposition their properties. We also envision that demand for financing will be strong for situations in which a property is being acquired with plans to improve the net operating income through capital improvements, leasing, costs savings or other key initiatives and realize the improved value through a subsequent sale or refinancing. We also see a changing landscape in which many historical debt capital providers respond to banking regulatory reform with less active participation or more rigid products, less tailored to the needs of the borrowing community. While we expect to see or have seen the emergence of new providers, we believe those with deep experience and strong backing will have the opportunity to build market share.

Performance of Multifamily and Other Commercial Real Estate Related Markets. Our business is dependent on the general demand for, and value of, commercial real estate and related services, which are sensitive to economic conditions. Demand for multifamily and other commercial real estate generally increases during periods of stronger economic conditions, resulting in increased property values, transaction volumes and loan origination volumes. During periods of weaker economic conditions, multifamily and other commercial real estate may experience higher property vacancies, lower demand and reduced values. These conditions can result in lower property transaction volumes and loan originations, as well as an increased level of servicer advances and losses from ACRE Capital's Fannie Mae DUS allowance for loss sharing.

The Level of Losses from Fannie Mae Allowance for Loss Sharing. Loans originated and sold by ACRE Capital to Fannie Mae under the Fannie Mae DUS program are subject to the terms and conditions of a Master Loss Sharing Agreement, which was amended and restated during 2012. Under the Master Loss Sharing Agreement, ACRE Capital is responsible for absorbing certain losses incurred by Fannie Mae with respect to loans originated under the DUS program, as described below in more detail.

The losses incurred with respect to individual loans are allocated between ACRE Capital and Fannie Mae based on the loss level designation ("Loss Level") for the particular loan. Loans are designated as Loss Level I, Loss Level II or Loss Level III. All loans are designated Loss Level I unless Fannie Mae and ACRE Capital agree upon a different Loss Level for a particular loan at the time of the loan commitment, or if Fannie Mae determines that the loan was not underwritten, processed or serviced according to Fannie Mae guidelines.

Losses on Loss Level I loans are shared 33.33% by ACRE Capital and 66.67% by Fannie Mae. The maximum amount of ACRE Capital's risk-sharing obligation with respect to any Loss Level I loan is 33.33% of the original principal amount of the loan. Losses incurred in connection with Loss Level II and Loss Level III loans are allocated disproportionately to ACRE Capital until ACRE Capital has absorbed the maximum level of its risk-sharing obligation with respect to the particular loan. The maximum loss allocable to ACRE Capital for Loss Level II loans is 30% of the original principal amount of the loan, and for Loss Level III loans is 40% of the original principal amount of the loan.

The Price of Loans in the Secondary Market. Our profitability is determined in part by the price we are paid for the loans we originate. A component of our origination fees is the premium we recognize on the sale of a loan. Stronger investor demand typically results in larger premiums while weaker demand results in little to no premium.

Market for Servicing Commercial Real Estate Loans. Service fee rates for new loans are set at the time we enter into a loan commitment based on origination volumes, competition and prepayment rates. Changes in future service fee rates impact the value of our future MSRs and future servicing revenues, which could impact our profit margins and operating results over time.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP, which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and other factors management believes to be reasonable. Actual results may differ from those estimates and assumptions. We believe the following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements.

Mortgage Servicing Rights. MSRs assets are recorded at fair value at the time the loan is sold and qualifies as a transfer of a financial asset. The fair value is based on estimates of expected net cash flows associated with the servicing rights, as well as borrower prepayment penalties, interest earnings on escrows and interim cash balances, along with ancillary fees that are discounted at a rate that reflects the credit and liquidity risk of the MSR over the estimated life of the underlying loan. The changes in the MSR fair value are included within change in fair value of mortgage servicing rights in the Company's consolidated statements of operations for the period in which the change occurs. We engage a third party specialist to assist in valuing ACRE Capital's MSRs on a quarterly basis.

Allowance for Loss Sharing. The amount of the allowance for loss sharing considers ACRE Capital's assessment of the likelihood of payment by the borrower, the estimated disposition value of the underlying collateral, and the level of risk sharing. Historically, among other factors, loss recognition occurs at or before the loan becoming 60 days delinquent. ACRE Capital regularly monitors its risk-sharing obligations on all loans and updates loss estimates as current information is received. A reserve is estimated by examining historical loss share experienced in the ACRE Capital portfolio since inception. These historical loss shares serve as a basis to derive a loss share rate which is then applied to the current ACRE Capital portfolio (net of specifically identified impaired loans that are subject to a separate loss share reserve analysis).

Impairment Loans Held for Investment. We evaluate each loan classified as loans held for investment for impairment at least quarterly. Impairment occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we record an allowance to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate.

Each loan classified as held for investment is evaluated for impairment on a periodic basis. Loans are collateralized by real estate and as a result, the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower could impact the expected amounts received and as a result are regularly evaluated. We monitor performance of our investment portfolio under the following methodology: (1) borrower review, which analyzes the borrower's ability to execute on its original business plan, reviews its financial condition, assesses pending litigation and considers its general level of responsiveness and cooperation; (2) economic review, which considers underlying collateral, (i.e. leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service as well as the residual loan balance at maturity); (3) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (4) market review, which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective. Such impairment analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, and the borrower's exit plan, among other factors.

Significant judgment is required when evaluating loans for impairment, therefore, actual results over time could be materially different.

RECENT DEVELOPMENTS

On January 22, 2014, we originated a $11.7 million transitional first mortgage loan on an apartment complex located in Ft. Myers, Florida. At closing, the outstanding principal balance was approximately $9.7 million. The loan has an interest rate of LIBOR + 3.80% subject to a 0.25% LIBOR floor and a term of three years.

On January 22, 2014, we originated a $15.0 million transitional first mortgage loan on an apartment complex located in Ft. Myers, Florida. At closing, the outstanding principal balance was approximately $12.4 million. The loan has an interest rate of LIBOR + 3.80% subject to a 0.25% LIBOR floor and a term of three years.

On January 31, 2014, the agreement governing the BAML Line of Credit was amended to extend the maturity date to April 1, 2014.

On February 20, 2014, we originated a $36.8 million transitional first mortgage loan on an apartment complex located in Orlando, Florida. At closing, the outstanding principal balance was approximately $33.2 million. The loan has an interest rate of LIBOR + 3.75% subject to a 0.25% LIBOR floor and a term of three years.

On March 12, 2014, we, through a wholly owned subsidiary, closed a $50 million secured revolving funding facility with City National Bank (the "CNB Facility"). The CNB Facility will be used to finance new investments and for other working capital and general corporate needs. Draws from the CNB Facility may be used as capital to allow us to obtain additional leverage under our other funding facilities. The interest rate on the CNB Facility is LIBOR plus 3.0% or a base rate plus 1.25%, in each case, subject to a 3.0% all-in rate floor. The initial maturity date is March 11, 2016 subject to one 12 month extension option if certain conditions are met.

On March 14, 2014, we originated a $17.0 million transitional first mortgage loan on an apartment complex located in Charlotte, North Carolina. At closing, the outstanding principal balance was approximately $14.3 million. The loan has an interest rate of LIBOR + 4.00% subject to a 0.25% LIBOR floor and a term of three years.

As of March 14, 2014, we expect to have approximately $84 million in remaining capital in cash and approved but undrawn capacity under our funding facilities, including the proceeds from the CNB Facility. After holding in reserve $10 million in liquidity requirements, we expect to have approximately $74 million in capital available to fund additional loans, outstanding commitments on our existing loans and for other working capital purposes. Assuming that we use such amount as equity capital to make new investments and are able to achieve a debt-to-equity ratio of 2.5 to 1, we have the capacity to fund approximately $250 million of additional senior loan investments.

As of March 14, 2014, the total unfunded commitments for the Company's existing loans held for investment were approximately $138.1 million and borrowings under the Company's funding facilities and from the issuance of convertible senior notes were approximately $342.4 million and $69 million, respectively (excluding warehouse lines of credit in connection with the Company's mortgage banking business).

On March 17, 2014, we declared a cash dividend of $0.25 per common share for the first quarter of 2014. The first quarter 2014 dividend is payable on April 16, 2014 to common stockholders of record as of March 31, 2014.

RESULTS OF OPERATIONS

The following discussion of our results of operations highlights our performance for the years ended December 31, 2013 and 2012. We do not believe that a comparison of our results of operations for the period from September 1, 2011 (Inception) to December 31, 2011 is meaningful because we

commenced investment operations on December 9, 2011 and had less than one month of operations for all of calendar year 2011.

The following table sets forth consolidated results of operations for the years ended December 31, 2013 and 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011 ($ in thousands):

	For the year ended December 31,		For the Period from September 1, 2011 (Inception) to December 31,
	2013	2012	2011
Net interest margin:			
Interest income from loans held for investment	$ 37,600	$ 9,278	$ 3
Interest expense	(8,774)	(2,342)	(39)
Net interest margin	28,826	6,936	(36)
Mortgage banking revenue:			
Servicing fees, net	5,802	—	—
Gains from mortgage banking activities	5,328	—	—
Provision for loss sharing	(6)	—	—
Change in fair value of mortgage servicing rights	(2,697)	—	—
Mortgage banking revenue	8,427	—	—
Other income	1,333	—	—
Total revenue	38,586	6,936	(36)
Expenses:			
Other interest expense	6,556	216	—
Management fees to affiliate	4,241	1,665	—
Professional fees	2,924	1,194	58
Compensation and benefits	5,456	—	—
Acquisition and investment pursuit costs	4,079	—	—
General and administrative expenses	3,955	1,285	69
General and administrative expenses reimbursed to affiliate	3,610	1,619	—
Total expenses	30,821	5,979	127
Changes in fair value of derivatives	1,739	(97)	—
Income from operations before gain on acquisition, income taxes and non-controlling interests	$ 9,504	$ 860	$ (163)
Gain on acquisition	4,438	—	—
Income before income taxes and non-controlling interests	13,942	860	(163)
Income tax expense	176	—	—
Net income	$ 13,766	$ 860	$ (163)

2013 to 2012

Net Interest Margin

For the years ended December 31, 2013 and 2012, we earned approximately $28.8 million and $6.9 million in net interest margin, respectively. For the years ended December 31, 2013 and 2012, interest income from loans held for investment of $37.6 million and $9.3 million, respectively, was generated by average earning assets of $555.0 million and $123.4 million, respectively, offset by $8.8 million and $2.3 million, respectively, of interest expense, unused fees and amortization of deferred loan costs. The average borrowings under our secured funding agreements were $246.0 million

and $42.6 million for the years ended December 31, 2013 and 2012, respectively. The increase in net interest margin for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily relates to the increase in the number of loans held for investment from 15 loans to 33 loans as of December 31, 2013.

Mortgage Banking Revenue

For the year ended December 31, 2013, we earned approximately $5.8 million in net servicing fees. Servicing fees include fees earned for all activities related to servicing ACRE Capital's loans, the fees earned on borrower prepayment penalties and interest earned on borrowers' escrow payments and interim cash balances, along with other ancillary fees. For the year ended December 31, 2013, we earned approximately $5.3 million in net gains from mortgage banking activities. Gains from mortgage banking activities includes the initial fair value of MSRs, loan origination fees, gain on the sale of loans, interest income on loans held for sale and changes to the fair value of derivative financial instruments, including loan commitments and forward sale commitments. Since the Acquisition of ACRE Capital closed on August 30, 2013, we did not earn any servicing fees or have gains from mortgage banking activities for the year ended December 31, 2012 relating to ACRE Capital.

Operating Expenses

For the years ended December 31, 2013 and 2012, we incurred operating expenses of $30.8 million and $6.0 million, respectively. Since the Acquisition of ACRE Capital closed on August 30, 2013, we did not incur any operating expenses for the year ended December 31, 2012 relating to ACRE Capital.

Related Party Expenses

Related party expenses for the year ended December 31, 2013 included $4.2 million in management fees due to our Manager and $3.6 million for our share of allocable general and administrative expenses for which we are required to reimburse our Manager pursuant to the management agreement, dated April 25, 2012, between us and our Manager. Related party expenses for the year ended December 31, 2012 included $1.7 million in management fees due to our Manager and $1.6 million for our share of allocable general and administrative expenses for which we are required to reimburse our Manager. The increase in related party expenses for the year ended December 31, 2013 compared to year ended December 31, 2012 primarily relates to increased stockholders' equity and an increase in capital markets and acquisition activities.

Other Expenses

Other interest expense for the years ended December 31, 2013 and 2012 was $6.6 million and $216 thousand, respectively, related to the 2015 Convertible Notes and warehouse lines of credit. Changes in fair value of derivatives for the year ended December 31, 2013 and 2012 was $1.7 million and $97 thousand, respectively, related to the 2015 Convertible Notes. Professional fees for the years ended December 31, 2013 and 2012 were $2.9 million and $1.2 million, respectively. Acquisition and investment pursuit costs related to the Acquisition for the year ended December 31, 2013 were $4.1 million. General and administrative expenses for the years ended December 31, 2013 and 2012 were $4.0 million and $1.3 million, respectively. Since the Acquisition of ACRE Capital closed on August 30, 2013, we did not incur any other expenses for the year ended December 31, 2012 relating to ACRE Capital.

Compensation and benefits

Compensation and benefits for the year ended December 31, 2013 were $5.5 million. Since the Acquisition of ACRE Capital closed on August 30, 2013, we did not incur compensation and benefits for the year ended December 31, 2012.

2012 to 2011

Net Interest Margin

For the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011, we earned approximately $6.9 million and $(36) thousand in net interest margin (loss), respectively. For the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011, interest income of $9.3 million and $3 thousand, respectively, was generated by average earning assets of $123.4 million and $41 thousand, respectively, offset by $1.6 million and $0, respectively, of interest expense and unused fees and $700 thousand and $39 thousand, respectively, of interest expense from the amortization of deferred loan costs. The average borrowings under our secured funding agreements were $42.6 million and $0 for the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011, respectively.

Operating Expenses

For the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011, we incurred operating expenses of $6.0 million and $127 thousand, respectively. Related party expenses for the year ended December 31, 2012 included $1.7 million in management fees due to our Manager and $1.6 million for our share of allocable general and administrative expenses for which we are required to reimburse our Manager pursuant to the management agreement, dated April 25, 2012, between us and our Manager. We did not reimburse our Manager for any such related party expenses for the period from September 1, 2011 (Inception) to December 31, 2011. Also included in general and administrative expenses reimbursed to our Manager for the year ended December 31, 2012 are $17 thousand of servicing fees. Servicing fees were charged by Ares Commercial Real Estate Services LLC, or "ACRES," an affiliate of our Manager, through May 1, 2012. Effective May 1, 2012, ACRES agreed that no servicing fees will be charged pursuant to these servicing agreements for so long as the management agreement remains in effect, but that ACRES will continue to receive reimbursement for overhead related to servicing and operational activities pursuant to the terms of the management agreement.

Other expenses for the year ended December 31, 2012 include interest expense of $216 thousand related to the 2015 Convertible Notes, professional fees of $1.2 million and general and administrative expenses of $1.3 million. Other expenses for the period from September 1, 2011 (Inception) to December 31, 2011, include professional fees of $58 thousand and general and administrative expenses of $69 thousand.

During the year ended December 31, 2012, we paid $102 thousand and $1.6 million in dividends to the holders of Series A Preferred Stock and the holders of our common stock, respectively. The Series A Preferred Stock was redeemed on May 1, 2012 using the proceeds of our IPO resulting in the payment of a $572 thousand redemption premium to the holders of the Series A Preferred Stock.

Cash Flows

The following table sets forth changes in cash and cash equivalents for the years ended December 31, 2013, 2012 and the period from September 1, 2011 (Inception) to December 31, 2011 ($ in thousands):

	For the Year Ended December 31,		For the Period from September 1, 2011 (Inception) to December 31,
	2013	2012	2011
Net income (loss)	$ 13,766	$ 860	$ (163)
Adjustments to reconcile net income to cash provided by operating activities:	11,678	1,092	581
Net cash provided by operating activities	25,444	1,952	418
Net cash used in investing activities	(745,697)	(348,155)	(4,945)
Net cash provided by financing activities	716,963	368,353	5,767
Change in cash and cash equivalents	$ (3,290)	$ 22,150	$ 1,240

2013 to 2012

Cash and cash equivalents decreased by $3.3 million and increased by $22.2 million, respectively, during the years ended December 31, 2013 and 2012. Net cash provided by operating activities totaled $25.4 million and $2.0 million, respectively, during the years ended December 31, 2013 and 2012. This change in net cash provided by operating activities was primarily related to the increase in net interest margin due to an increase in loans held for investment. For the year ended December 31, 2013, adjustments to net income related to operating activities primarily included originations of mortgage loans held for sale of $84.2 million, sale of mortgage loans held for sale to third parties of $102.4 million, gain on acquisition of $4.4 million, changes in the fair value of MSRs of $2.7 million, and change in other assets of $4.4 million.

Net cash used in investing activities for the years ended December 31, 2013 and 2012 totaled $745.7 million and $348.2 million, respectively, and related primarily to the origination of new loans held for investment, origination of a loan held for sale, and cash used to acquire ACRE Capital.

Net cash provided by financing activities for year ended December 31, 2013 totaled $717.0 million and related primarily to proceeds from secured funding arrangements of $703.2 million, proceeds from issuance of debt of a consolidated VIE of $395.0 million, and proceeds from the sale of common stock of $250.7 million, partially offset by repayments of our secured funding arrangements of 583.0 million. Net cash provided by financing activities for the year ended December 31, 2012 totaled $368.4 million and related primarily to proceeds from our IPO, proceeds from the offering of the 2015 Convertible Notes, and proceeds from our secured funding agreements.

2012 to 2011

Cash and cash equivalents increased by $22.2 million and $1.2 million, respectively, during the year ended December 31, 2012 and during the period from September 1, 2011 (Inception) to December 31, 2011. Net cash provided by operating activities totaled $2.0 million and $418 thousand, respectively, during the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011. This net cash was primarily related to interest and fee income collected offset by interest expense. The adjustments for non-cash charges for the year ended December 31, 2012, included stock-based compensation of $338 thousand, accretion of deferred loan origination fees and costs of $400 thousand and amortization of deferred financing costs of $698 thousand and $97 thousand

of unrealized loss on derivatives. The adjustments for non-cash charges for the period from September 1, 2011 (Inception) to December 31, 2011 included amortization of deferred financing costs of $39 thousand.

Net cash used in investing activities for the year ended December 31, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011 totaled $348.2 million and $4.9 million, respectively, and related primarily to the origination of new loans held-for-investment.

Net cash provided by financing activities for the year ended December 31, 2012 totaled $368.4 million and related primarily to proceeds from our IPO, proceeds from the offering of the 2015 Convertible Notes, and proceeds from our secured funding agreements. Net cash provided by financing activities for the period from September 1, 2011 (Inception) to December 31, 2011 totaled $5.8 million and related primarily to the issuance of our common stock to Ares Investments Holdings LLC, or "Ares Investments."

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our stockholders and other general business needs. We will use significant cash to purchase our target investments, repay principal and interest on our borrowings, make distributions to our stockholders and fund our operations. Our primary sources of cash will generally consist of unused borrowing capacity under our financing sources, the net proceeds of future offerings, payments of principal and interest we receive on our portfolio of assets and cash generated from our operating results. We expect that our primary sources of financing will be, to the extent available to us, through (a) credit, secured funding and other lending facilities, (b) securitizations, (c) other sources of private financing, including warehouse and repurchase facilities, and (d) offerings of our equity or debt securities. In the future, we may utilize other sources of financing to the extent available to us. In the future, we may utilize other sources of financing to the extent available to us. See "—Recent Developments" for information on our available capital as of March 14, 2014.

Equity Offerings

The following table summarizes the total shares issued and proceeds we received, net of offering costs for the years ended December 31, 2013 and 2012 (in millions, except per share data):

	Shares issued	Gross offering price per share	Proceeds net of offering costs
June 2013 public offering	18.6	$ 13.50(1)	$ 242.3
Total for the year ended December 31, 2013	18.6		$ 242.3
May 2012 public offering	7.7	$ 18.50	$ 139.0
Total for the year ended December 31, 2012	7.7		$ 139.0

(1) 601,590 of these shares of our common stock were issued on July 9, 2013 pursuant to the underwriters' partial exercise of the option to purchase additional shares. The gross offering price per share of the 601,590 shares was reduced by the $0.25 dividend per share in the second quarter of 2013.

Debt

The sources of financing under our Funding Agreements that are used to fund our target investments are described in the following table.

	As of December 31,						
	2013				2012		
$ in thousands	Total Commitment	Outstanding Balance	Interest Rate	Maturity date	Total Commitment	Outstanding Balance	Interest Rate
Secured Funding Facilities:							
Wells Fargo Facility	$ 225,000	$ 166,934	LIBOR + 2.00 to 2.50%	December 14, 2014(1)	$ 172,500	$ 98,196	LIBOR + 2.50 to 2.75%
Citibank Facility	125,000	97,485	LIBOR + 2.25 to 2.75%	Earlier of July 2, 2018 or(2)	86,225	13,900	LIBOR + 2.50 to 3.50%(3)
Capital One Facility	100,000	—	LIBOR + 2.00 to 3.50%	—(2)	50,000	32,160	LIBOR + 2.50% to 4.00%
Total	$ 450,000	$ 264,419			$ 308,725	$ 144,256	
Warehouse Lines of Credit:							
ASAP Line of Credit	$ 105,000	$ —	LIBOR + 1.40% to 1.75%	No expiration	$ —	$ —	—
BAML Line of Credit	80,000	—	LIBOR + 1.60%	January 31, 2014	—	—	—
Total	$ 185,000	$ —			$ —	$ —	

(1) The initial maturity date of the Wells Fargo Facility is December 14, 2014 and, provided that certain conditions are met and applicable extension fees are paid, the facility is subject to two 12-month extension options.

(2) The maturity date of each individual loan is the same as the maturity date of the underlying loan that secures such individual loan.

(3) The margin can vary between 2.50% and 3.50% over the greater of LIBOR and 0.50%, based on the debt yield of the assets contributed into ACRC Lender C LLC, one of our wholly owned subsidiaries and the borrower under the Citibank Facility.

Warehouse Lines of Credit

ASAP Line of Credit

On August 25, 2009, ACRE Capital entered into a multifamily as soon as pooled ("ASAP") sale agreement with Fannie Mae, which was assumed as part of the Acquisition. As of December 31, 2013, the Fannie Mae ASAP Line of Credit (the "ASAP Line of Credit") had a borrowing capacity of $105.0 million, with no expiration date. Fannie Mae advances payment to ACRE Capital in two separate installments according to the terms as set forth in the ASAP sale agreement. The first installment is considered an advance to ACRE Capital from Fannie Mae and not a sale until the second advance and settlement is made. Installments received by ACRE Capital from Fannie Mae are financed on the ASAP Line of Credit which charges interest at a floating daily rate of 30-day LIBOR +1.40% with a floor of 1.75% and is secured by the underlying originated loan. As of December 31, 2013, there was no outstanding balance under the ASAP Line of Credit.

BAML Line of Credit

As of December 31, 2013, ACRE Capital maintained a line of credit with Bank of America, N.A. (the "BAML Line of Credit") of $80.0 million with a stated interest rate of Bank of America LIBOR Daily Floating Rate plus 1.60%. The agreement governing the BAML Line of Credit was amended in January 2014 to extend the maturity date to April 1, 2014. For the year ended December 31, 2013, the Company incurred a non-utilization fee of $26 thousand. As of December 31, 2013, there was no outstanding balance under the BAML Line of Credit.

The BAML Line of Credit is collateralized by a first lien on ACRE Capital's interest in the mortgage loans that it originates. Advances from the BAML Line of Credit cannot exceed 100% of the principal amount of the mortgage loans originated by ACRE Capital and must be repaid at the earlier of the sale or other disposition of the mortgage loans or at the expiration date of the warehouse line of credit. The terms of the BAML Line of Credit require ACRE Capital to comply with various

covenants, including a minimum tangible net worth requirement. As of December 31, 2013, ACRE Capital was in compliance in all material respects with the terms of the BAML Line of Credit.

2015 Convertible Notes

On December 19, 2012, we issued $69.0 million aggregate principal amount of the 2015 Convertible Notes. Of this aggregate principal amount, $60.5 million aggregate principal amount of the 2015 Convertible Notes was sold to the initial purchasers (including $9.0 million pursuant to the initial purchasers' exercise in full of their overallotment option) and $8.5 million aggregate principal amount of the 2015 Convertible Notes was sold directly to certain directors, officers and affiliates of the Company in a private placement. The 2015 Convertible Notes were issued pursuant to an Indenture, dated December 19, 2012, or the "Indenture," between us and U.S. Bank National Association, as trustee. The sale of the 2015 Convertible Notes generated net proceeds of approximately $66.2 million. Aggregate offering expenses in connection with the transaction, including the initial purchasers' discount of approximately $2.1 million, were approximately $2.8 million. As of December 31, 2013 and 2012, the carrying value of the 2015 Convertible Notes was $67.8 million and $67.3 million, respectively.

The 2015 Convertible Notes are our senior unsecured obligations and bear interest at a rate of 7.000% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2013. The effective interest rate of the 2015 Convertible Notes, which is equal to the stated rate of 7.000% plus the accretion of the original issue discount and associated costs, was approximately 9.4% for the years ended December 31, 2013 and 2012. For the years ended December 31, 2013 and 2012, the interest expense incurred on this indebtedness was $6.2 million and $216 thousand, respectively. The 2015 Convertible Notes will mature on December 15, 2015, or the "Maturity Date," unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the 2015 Convertible Notes prior to the Maturity Date, except to the extent necessary to preserve our qualification as a REIT for U.S. federal income tax purposes.

The 2015 Convertible Notes are convertible only under certain circumstances as set forth in the Indenture. Certain key terms related to the convertible features of the 2015 Convertible Notes are listed below.

	2015 Convertible Notes
Conversion price	$ 18.65
Conversion rate (shares per one thousand dollar principal amount)(1)	53.6107
Initial date upon which notes may be converted	June 15, 2015

(1) If certain corporate events occur prior to the Maturity Date, the conversion rate will be increased but will in no event exceed 61.6523 shares of common stock per $1,000 principal amount of 2015 Convertible Notes.

Commercial Mortgage-Backed Securitization

As of December 31, 2013, we had approximately $395.0 million of Offered Certificates (defined below) outstanding, which were issued in a commercial mortgage-backed securitization effected by ACRC 2013-FL1 Depositor LLC (the "Depositor"), our wholly owned subsidiary, in November 2013. In connection with the securitization, the Depositor entered into a Pooling and Servicing Agreement (the "Pooling and Servicing Agreement") with Wells Fargo Bank, National Association, as master servicer, Ares Commercial Real Estate Servicer LLC, as special servicer, U.S. Bank National Association, as trustee, certificate administrator, paying agent and custodian, and Trimont Real Estate Advisors, Inc., as trust advisor, in connection with forming ACRE Commercial Mortgage Trust 2013-FL1 (the "Trust").

The Pooling and Servicing Agreement governs the issuance of approximately $493.8 million aggregate principal balance commercial mortgage pass-through certificates (the "Certificates"). In connection with the securitization, the Depositor contributed to the Trust a pool of 18 adjustable rate participation interests in commercial mortgage loans secured by 27 commercial properties, which loans were originated or co-originated by us or our subsidiaries. The Certificates represent, in the aggregate, the entire beneficial ownership interest in, and the obligations of, the Trust.

In connection with the securitization, we offered and sold the following classes of certificates: Class A, Class B, Class C and Class D Certificates (collectively, the "Offered Certificates) to third parties pursuant to an offering made privately in transactions exempt from the registration requirements of the Securities Act. In addition, a wholly owned subsidiary of ours retained approximately $98.8 million of the Certificates. The weighted average coupon of the Offered Certificates as of December 31, 2013 was LIBOR plus 1.89%.

Other Credit Facilities, Warehouse Facilities and Repurchase Agreements

In the future, we may also use other sources of financing to fund the origination or acquisition of our target investments, including other credit facilities, warehouse facilities, repurchase facilities, convertible debt, retail notes, securitized financings and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized and may involve one or more lenders. We expect that these facilities will typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates.

Capital Markets

In addition to borrowings, we will need to periodically raise additional capital to fund new investments. We have elected and qualified to be taxed as a REIT for U.S. federal income tax purposes. Among other things, in order to maintain our status as a REIT, we must annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain, and, as a result, such distributions will not be available to fund investments. We may also seek to enhance the returns on our senior commercial mortgage loan investments, especially loan originations, through securitizations, if available. To the extent available, we intend to securitize the senior portion of some of our loans, while retaining the subordinate securities in our investment portfolio. The securitization of this senior portion will be accounted for as either a "sale" and the loans will be removed from our balance sheet or as a "financing" and will be classified as "securitized loans" on our balance sheet, depending upon the structure of the securitization.

Leverage Policies

We intend to use prudent amounts of leverage to increase potential returns to our stockholders. To that end, subject to maintaining our qualification as a REIT and our exemption from registration under the 1940 Act, we intend to use borrowings to fund the origination or acquisition of our target investments. Given current market conditions and our focus on first or senior mortgages, we currently expect that such leverage would not exceed, on a debt-to-equity basis, a 4-to-1 ratio. Our charter and bylaws do not restrict the amount of leverage that we may use. The amount of leverage we will deploy for particular investments in our target investments will depend upon our Manager's assessment of a variety of factors, which may include, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the gap between the duration of our assets and liabilities, including hedges, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy generally or in specific geographic regions and commercial mortgage markets, our outlook for

the level and volatility of interest rates, the slope of the yield curve, the credit quality of our assets, the collateral underlying our assets, and our outlook for asset spreads relative to the LIBOR curve.

Income Taxes

We have elected and qualified for taxation as a REIT. As a result of our REIT qualification and our distribution policy, we do not generally pay U.S. federal corporate level income taxes. Many of the REIT requirements, however, are highly technical and complex. To continue to qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually at least 90% of our REIT taxable income to our stockholders. If we fail to continue to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal and state income taxes at regular corporate rates (including any applicable alternative minimum tax beginning with the year in which we fail to qualify) and may be precluded from being able to elect to be treated as a REIT for our four subsequent taxable years. Even though we currently qualify for taxation as a REIT, we may be subject to certain U.S. federal, state, local and foreign taxes on our income and property and to U.S. federal income and excise taxes on our undistributed REIT taxable income.

In connection with the Acquisition, we contributed the common units of ACRE Capital to TRS Holdings, a wholly owned subsidiary of ours. An entity classification election to be taxed as a corporation and a TRS election were made with respect to TRS Holdings. In addition, in December 2013, we formed a new wholly owned subsidiary, ACRC TRS, for which an entity classification election to be taxed as a corporation and a TRS election were made, in order to issue and hold certain loans intended for sale. A TRS is an entity taxed as a corporation other than a REIT in which a REIT directly or indirectly holds equity, and that has made a joint election with such REIT to be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by us without jeopardizing its qualification as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. In addition, as a REIT, we also may be subject to a 100% excise tax on certain transactions between us and our TRS that are not conducted on an arm's-length basis.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations as of December 31, 2013:

$ in millions	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Wells Fargo Facility	$ 166,934	$ 166,934	$ —	$ —	$ —
Citibank Facility	97,485	—	—	97,485	—
Capital One Facility	—	—	—	—	—
2015 Convertible Notes	69,000	—	69,000	—	—
ASAP Line of Credit	—	—	—	—	—
BAML Line of Credit	—	—	—	—	—
Future Loan Funding Commitments	192,332	51,794	55,254	73,934	11,350
Future Commitments to Sell Loans	56,115	56,115	—	—	—
Total	$ 581,866	$ 274,843	$ 124,254	$ 171,419	$ 11,350

We may enter into certain contracts that may contain a variety of indemnification obligations, principally with underwriters and counterparties to repurchase agreements. The maximum potential future payment amount we could be required to pay under these indemnification obligations may be unlimited.

OFF-BALANCE SHEET ARRANGEMENTS

Other than as set forth in this Annual Report on Form 10-K, we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose entities or VIEs, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intend to provide additional funding to any such entities.

DIVIDENDS

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT annually distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and to the extent that it annually distributes less than 100% of its net taxable income in any taxable year, and that it pay tax at regular corporate rates on that undistributed portion. We intend to make regular quarterly distributions to our stockholders in an amount equal to or greater than our net taxable income, if and to the extent authorized by our board of directors. Before we make any distributions, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our Funding Agreements, other lending facilities, repurchase agreements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We seek to manage our risks related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk-adjusted returns through ownership of our capital stock. While we do not seek to avoid risk completely, we believe the risks can be quantified from historical experience and seek to actively manage those risks, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Credit Risk

We expect to be subject to varying degrees of credit risk in connection with holding a portfolio of our target investments. We will have exposure to credit risk on our CRE loans and other target investments. Our Manager will seek to manage credit risk by performing credit fundamental analysis of potential collateral assets. Credit risk will also be addressed through our Manager's ongoing review. Our investment guidelines do not limit the amount of our equity that may be invested in any type of our target investments. Our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our equity that will be invested in any individual target investment at any given time.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We will be subject to interest rate risk in connection with our assets and our related financing obligations. In general, we expect to finance the origination or acquisition of our target investments through financings in the form of borrowings under warehouse facilities, bank credit facilities (including

term loans and revolving facilities), resecuritizations, securitizations and repurchase agreements. We may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap agreements. Interest rate swap agreements are intended to serve as a hedge against future interest rate increases on our borrowings. For many of our investments, we may also seek to limit the exposure of our borrowers and sponsors to future fluctuations of interest rates through their use of interest rate caps and other interest rate hedging instruments.

We regularly measure our exposure to interest rate risk. We assess interest rate risk and manage our interest rate exposure on an ongoing basis by comparing our interest rate sensitive assets to our interest rate sensitive liabilities. Based on that review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates.

While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments. In addition, there can be no assurance that we will be able to effectively hedge our interest rate risk.

Interest Rate Effect on Net Interest Margin

Our operating results will depend in large part on differences between the income earned on our assets and our cost of borrowing and hedging activities. The cost of our borrowings generally will be based on prevailing market interest rates. During a period of rising interest rates, our borrowing costs generally will increase (a) while the yields earned on our leveraged fixed-rate mortgage assets will remain static and (b) in some cases, at a faster pace than the yields earned on our leveraged floating rate mortgage assets, which could result in a decline in our net interest spread and net interest margin.

The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase and any applicable floors and caps. Further, an increase in short-term interest rates could also have a negative impact on the market value of our target investments. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

Hedging techniques are partly based on assumed levels of prepayments of our target investments. If prepayments are slower or faster than assumed, the life of the investment will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivative securities are highly complex and may produce volatile returns.

Interest Rate Cap and Floor Risk

We may originate or acquire floating rate mortgage assets. These are assets in which the mortgages may be subject to periodic and lifetime interest rate caps and floors, which limit the amount by which the asset's interest yield may change during any given period. However, our borrowing costs pursuant to our financing agreements may not be subject to similar restrictions or may have different floors and caps. As a result, in a period of increasing interest rates, interest rate costs on our borrowings could increase without limitation by caps, while the interest rate yields on our floating rate mortgage assets could effectively be limited by various caps. In addition, floating rate mortgage assets may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of less cash income on such assets than we would need to pay the interest cost on our related borrowings. In addition, in the period of decreasing interest rates, the interest rate yields on our floating rate mortgage assets could decrease, while the interest rate costs on our borrowings could be fixed at a higher floor. These factors could lower our net

interest income or cause a net loss during periods of rising interest rates, which would harm our financial condition, cash flows and results of operations.

Interest Rate Mismatch Risk

We may fund a portion of our origination or acquisition of mortgage loans with borrowings that are based on LIBOR, while the interest rates on these assets may be indexed to LIBOR or another index rate, such as the one-year Constant Maturity Treasury, or "CMT", index, the Monthly Treasury Average, or "MTA", index or the 11th District Cost of Funds Index, or "COFI." Accordingly, any increase in LIBOR relative to one-year CMT rates, MTA or COFI will generally result in an increase in our borrowing costs that may not be matched by a corresponding increase in the interest earnings on these assets. Any such interest rate index mismatch could adversely affect our profitability, which may negatively impact distributions to our stockholders. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above.

Our analysis of risks is based on our Manager's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of decisions by our management may produce results that differ significantly from the estimates and assumptions used in our models and as shown in this annual report.

Extension Risk

Our Manager will compute the projected weighted-average life of our assets based on assumptions regarding the rate at which the borrowers will prepay the mortgages. If prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate assets could extend beyond the term of the interest swap agreement or other hedging instrument. This could have a negative impact on our results from operations, as borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the fixed-rate assets would remain fixed. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Market Risk

Available-for-sale investments will be reflected at their estimated fair value, with the difference between amortized cost and estimated fair value reflected in accumulated other comprehensive income. The estimated fair value of these investments fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of the fixed-rate securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of the fixed-rate securities would be expected to increase. As market volatility increases or liquidity decreases, the fair value of our investments may be adversely impacted. If we are unable to readily obtain independent pricing to validate our estimated fair value of any available-for-sale investment in our portfolio, the fair value gains or losses recorded in other comprehensive income may be adversely affected.

Real Estate Risk

Commercial mortgage assets are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loan or loans, as the case may be, which could also cause us to suffer losses.

Inflation

Virtually all of our assets and liabilities will be sensitive to interest rates. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. In each case, in general, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Risk Management

To the extent consistent with maintaining our REIT qualification, we will seek to manage risk exposure by closely monitoring our portfolio and actively managing the financing, interest rate, credit, prepayment and convexity (a measure of the sensitivity of the duration of a debt investment to changes in interest rates) risks associated with holding a portfolio of our target investments. Generally, with the guidance and experience of our Manager:

- we will manage our portfolio through an interactive process with Ares Management and service our self-originated principal investments through our Manager's servicer, which is a Standard & Poor's-rated commercial primary servicer and commercial special servicer that is included on Standard & Poor's Select Servicer List;
- we intend to engage in a variety of interest rate management techniques that seek, on the one hand to mitigate the economic effect of interest rate changes on the values of, and returns on, some of our assets, and on the other hand help us achieve our risk management objectives, including utilizing derivative financial instruments, such as puts and calls on securities or indices of securities, interest rate swaps, interest rate caps, exchange-traded derivatives, U.S. Treasury securities, options on U.S. Treasury securities and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our portfolio;
- we intend to actively employ portfolio-wide and asset-specific risk measurement and management processes in our daily operations, including utilizing our Manager's risk management tools such as software and services licensed or purchased from third parties and proprietary analytical methods developed by Ares Management; and
- we will seek to manage credit risk through our due diligence process prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate. In addition, with respect to any particular principal lending target investment, our Manager's investment team evaluates, among other things, relative valuation, comparable analysis, supply and demand trends, shape of yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

Item 8. Financial Statements and Supplementary Data

See the Index to Consolidated Financial Statements.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Co-Chief Executive Officers and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) based on the criteria established in *Internal Control—Integrated Framework* issued by the

Committee of Sponsoring Organizations of the Treadway Commission as of the end of the period covered by this report. Based upon such evaluation, the Company's Co-Chief Executive Officers and Chief Financial Officer concluded that its disclosure controls and procedures were effective, as of December 31, 2013, to provide assurance that information that is required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Co-Chief Executive Officers and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Management Report on Internal Control Over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with GAAP.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on its financial statements.

As permitted by the SEC, management's assessment as of December 31, 2013, excludes ACRE Capital, which was acquired on August 30, 2013. ACRE Capital's business represents approximately 8% of the Company's total assets as of December 31, 2013 and 25% of the Company's total revenues for the year ended December 31, 2013.

As of December 31, 2013, the Company's management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management has concluded that its internal control over financial reporting, excluding ACRE Capital, as of December 31, 2013 is effective.

Changes to Internal Control Over Financial Reporting. There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during its most recently completed fiscal year, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

The following information is provided pursuant to Item 5.02 of Form 8-K:

Effective March 17, 2014, John B. Bartling, Jr. will replace Michael J. Arougheti as Chairman of our board of directors. Mr. Arougheti will remain on our board of directors as a Class III director. In connection with Mr. Bartling's appointment to the Chairman position, Mr. Bartling will step down as Co-Chief Executive Officer of the Company and, effective at such time, our board of directors has appointed Todd S. Schuster Chief Executive Officer and President of the Company.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2014 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2013, and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2014 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2013, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2014 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2013, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2014 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2013, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2014 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2013, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this annual report:

1. Financial Statements—See the Index to Consolidated Financial Statements on Page F-1.

2. Financial Statement Schedules—None. We have omitted financial statement schedules because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements.

3. Exhibits.

Exhibit Number	Exhibit Description
2.1*	Purchase and Sale Agreement, dated as of May 14, 2013, by and among Alliant, Inc., The Alliant Company, LLC and Ares Commercial Real Estate Corporation(10)
3.1*	Articles of Amendment and Restatement of Ares Commercial Real Estate Corporation(1)
3.2*	Amended and Restated Bylaws of Ares Commercial Real Estate Corporation(1)
4.1*	Indenture dated as of December 19, 2012, between Ares Commercial Real Estate Corporation and U.S. Bank National Association, as Trustee(2)
4.2*	Form of 7.000% Convertible Senior Note Due 2015 (included as part of Exhibit 4.1)(2)
10.1*	Master Loan and Security Agreement, dated as of December 8, 2011, between ACRC Lender C LLC, as borrower, and Citibank, N.A., as lender(3)
10.2*	Custodial Agreement, dated as of December 8, 2011, between ACRC Lender C LLC, as borrower, Citibank, N.A., as lender, and U.S. Bank National Association, as custodian(3)
10.3*	Deposit Account Control Agreement, dated as of December 8, 2011, between ACRC Lender C LLC, Citibank, N.A., as lender, and Bank of America, N.A., as bank(3)
10.4*	Pledge and Security Agreement, dated as of December 8, 2011, by ACRC Lender LLC, as pledgor, for the benefit of Citibank, N.A., as lender(3)
10.5*	First Amendment to Master Loan and Security Agreement, dated as of April 16, 2012, between ACRC Lender C LLC, as borrower, and Citibank, N.A., as lender(4)
10.6*	Second Amended and Restated Note, dated as of July 12, 2013, among ACRC Lender C LLC, as borrower, and Citibank, N.A., as lender(10)
10.7*	Substitute Guaranty Agreement, dated as of May 1, 2012, by Ares Commercial Real Estate Corporation, as guarantor, in favor of Citibank, N.A., as lender(5)
10.8*	Second Amendment to Master Loan and Security Agreement, dated as of July 12, 2013, among ACRC Lender C LLC, as borrower, Ares Commercial Real Estate Corporation, as guarantor, and Citibank, N.A., as lender(10)
10.9*	Second Amendment to Substitute Guaranty Agreement, dated as of July 12, 2013, among Ares Commercial Real Estate Corporation, as guarantor, and Citibank, N.A., as lender(10)
10.10	Amendment No. 3 to Master Repurchase and Securities Contract, dated as of November 8, 2013, between ACRC Lender W LLC, as seller, and Wells Fargo Bank, National Association, as buyer and custodian

Exhibit Number	Exhibit Description
10.11	Amended and Restated Master Repurchase and Securities Contract, dated as of December 20, 2013, among ACRC Lender W LLC and ACRC Lender W TRS LLC, as sellers, and Wells Fargo Bank, National Association, as buyer
10.12	Amended and Restated Custodial Agreement, dated as of December 20, 2013, among ACRC Lender W LLC and ACRC Lender W TRS LLC, as sellers, and Wells Fargo Bank, National Association, as buyer and custodian
10.13	Amended and Restated Controlled Account Agreement (Waterfall Account), dated as of December 20, 2013, among ACRC Lender W LLC and ACRC Lender W TRS LLC, as debtors, and Wells Fargo Bank, National Association, as secured party and depository bank
10.14	Amended and Restated Pledge and Security Agreement, dated as of December 20, 2013, by ACRC Lender LLC, as pledgor, in favor of Wells Fargo Bank, National Association, as secured party
10.15	Amended and Restated Guarantee Agreement, dated as of December 20, 2013, by Ares Commercial Real Estate Corporation, as guarantor, in favor of Wells Fargo Bank, National Association, as bank
10.16*	Registration Rights Agreement, dated April 25, 2012, between Ares Commercial Real Estate Corporation and Ares Investments Holdings LLC(5)
10.17	Management Agreement, dated April 25, 2012, between Ares Commercial Real Estate Management LLC and Ares Commercial Real Estate Corporation
10.18	First Amendment to Management Agreement, dated as of September 30, 2013, by and between Ares Commercial Real Estate Corporation and Ares Commercial Real Estate Management LLC.
10.19*	Trademark License Agreement, dated April 25, 2012, between Ares Commercial Real Estate Corporation and Ares Management LLC(5)
10.20*	Master Revolving Line of Credit Agreement, dated May 18, 2012, among ACRC Lender One LLC, as borrower, Ares Commercial Real Estate Corporation, as guarantor, and Capital One, National Association, as lender(7)
10.21*	Guaranty Agreement, dated as of May 18, 2012, by Ares Commercial Real Estate Corporation, as guarantor, for the benefit of Capital One, National Association, as lender (7)
10.22*	First Amendment to Master Revolving Line of Credit Loan Agreement, dated September 27, 2012, between and among ACRC Lender One LLC, as borrower, Ares Commercial Real Estate Corporation, as guarantor, and Capital One, National Association, as lender(8)
10.23*	Second Amendment to Master Revolving Line of Credit Agreement, dated July 26, 2013, among ACRC Lender One LLC, as borrower, Ares Commercial Real Estate Corporation, as guarantor, and Capital One, National Association, as lender(11)
10.24*	Letter Agreement re: Closing Statement Reference Date, dated as of August 30, 2013, among Ares Commercial Real Estate Corporation, The Alliant Company, LLC, a Florida limited liability company, and Alliant Inc., a Florida corporation(12)

Exhibit Number	Exhibit Description
10.25*	Letter Agreement re: "Greenleaf at Broadway" Reimbursable Loss Loan, dated as of August 30, 2013, among Ares Commercial Real Estate Corporation, The Alliant Company, LLC, a Florida limited liability company, and Alliant Inc., a Florida corporation (12)
10.26*	Registration Rights Agreement, dated as of August 30, 2013, among Ares Commercial Real Estate Corporation, Alliant Inc. and The Alliant Company, LLC(13)
10.27*	Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of April 17, 2010, by and among EF&A Funding, L.L.C. (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.28*	First Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of June 30, 2010, by and among EF&A Funding, L.L.C. (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.29*	Second Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of June 30, 2011, by and among EF&A Funding, L.L.C (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.30*	Third Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of June 20, 2012, by and among EF&A Funding, L.L.C. (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.31*	Fourth Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of August 1, 2012, by and among EF&A Funding, L.L.C. (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.32*	Fifth Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of June 28, 2013, by and among EF&A Funding, L.L.C. (now known as ACRE Capital LLC), Bank of America, N.A., as Credit Agent, and the Lenders party thereto(14)
10.33*	Sixth Amendment to Fifth Amended and Restated Mortgage Warehousing and Security Agreement, dated as of September 5, 2013, by and among ACRE Capital LLC, Bank of America, N.A., as Credit Agent, and the Lenders party thereto(13)
10.34*	Pooling and Servicing Agreement, dated as of November 1, 2013, among ACRC 2013-FL1 Depositor LLC, as depositor, Wells Fargo Bank, National Association, as master servicer, Ares Commercial Real Estate Servicer LLC, as special servicer, U.S. Bank National Association, as trustee, certificate administrator, paying agent and custodian, and Trimont Real Estate Advisors, Inc., as trust advisor(16)
10.35*	Trust Asset Purchase Agreement, dated as of November 19, 2013, between ACRC Lender LLC, as seller, and ACRC 2013-FL1 Depositor LLC, as purchaser(16)
10.36*	2012 Equity Incentive Plan(1)
10.37*	Form of Restricted Stock Agreement(6)
10.38*	Form of Indemnification Agreement with directors and certain officers(5)

Exhibit Number	Exhibit Description
10.39*	Form of Indemnification Agreement with members of the Investment Committee and/or Underwriting Committee of Ares Commercial Real Estate Management LLC(5)
14.1	Code of Business Conduct and Ethics of Ares Commercial Real Estate Corporation(15)
21.1	Subsidiaries of Ares Commercial Real Estate Corporation
23.1	Consent of Ernst & Young LLP
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Co-Chief Executive Officers and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Previously filed

(1) Incorporated by reference to Exhibits 3.1, 3.2 and 10.1, as applicable, to the Company's Form S-8 (File No. 333-181077), filed on May 1, 2012.

(2) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable to the Company's Form 8-K (File No. 001-35517), filed on December 19, 2012.

(3) Incorporated by reference to Exhibits 10.8, 10.11, 10.12 and 10.15, as applicable, to the Company's Registration Statement on Amendment No. 4 to Form S-11 (File No. 333-176841), filed on April 17, 2012.

(4) Incorporated by reference to Exhibits 10.9 and 10.17, as applicable, to the Company's Registration Statement on Amendment No. 5 to Form S-11 (File No. 333-176841), filed on April 20, 2012.

(5) Incorporated by reference to Exhibits 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6, as applicable to the Company's Form 8-K (File No. 001-35517), filed on May 4, 2012.

(6) Incorporated by reference to Exhibits 10.4 to the Company's Registration Statement on Amendment No. 3 to Form S-11 (File No. 333-176841), filed on April 12, 2012.

(7) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable to the Company's Form 8-K (File No. 001-35517), filed on May 24, 2012.

(8) Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the period ending September 30, 2012 (File No. 001-35517), filed on November 7, 2012.

(9) Incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Amendment No. 2 to Form S-11 (File No. 333-176841), filed on March 21, 2012.

(10) Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K (File No. 001-35517), filed on May 15, 2013.

(11) Incorporated by reference to Exhibits 10.1, 10.2 and 10.3, as applicable, to the Company's Form 8-K (File No. 001-35517), filed on July 17, 2013.

(12) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 001-35517), filed on July 30, 2013.

(13) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's Form 8-K (File No. 001-35517), filed on August 30, 2013.

(14) Incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q (File No. 001-35517), filed on November 13, 2013.

(15) Incorporated by reference to Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, 10.6 and 10.7 to the Company's Form 8-K (File No. 001-35517), filed on September 6, 2013.

(16) Incorporated by reference to Exhibit 14.1 to the Company's Form 10-K (File No. 001-35517), filed on April 1, 2013.

(17) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's Form 10-K (File No. 001-35517), filed on November 25, 2013.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2013 and 2012	F-3
Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and the Period from September 1, 2011 (Inception) to December 31, 2011	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and the Period from September 1, 2011 (Inception) to December 31, 2011	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and the Period from September 1, 2011 (Inception) to December 31, 2011	F-6
Notes to Consolidated Financial Statements	F-7

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Ares Commercial Real Estate Corporation

We have audited the accompanying consolidated balance sheets of Ares Commercial Real Estate Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2013 and 2012 and the period from September 1, 2011 (Inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ares Commercial Real Estate Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years ended December 31, 2013 and 2012 and the period from September 1, 2011 (Inception) to December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California
March 17, 2014

ARES COMMERICAL REAL ESTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	As of	
	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 20,100	$ 23,390
Restricted cash	16,954	3,210
Loans held for investment ($493,783 related to consolidated VIE)	958,495	353,500
Loans held for sale, at fair value	89,233	—
Mortgage servicing rights, at fair value	59,640	—
Other assets ($2,552 of interest receivable related to consolidated VIE)	32,493	7,759
Total assets	$ 1,176,915	$ 387,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	$ 264,419	$ 144,256
Convertible notes	67,815	67,289
Commercial mortgage-backed securitization debt (consolidated VIE)	395,027	—
Allowance for loss sharing	16,480	—
Due to affiliate	2,796	1,320
Dividends payable	7,127	2,316
Other liabilities ($384 of interest payable related to consolidated VIE)	17,035	7,240
Total liabilities	770,699	222,421
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized at December 31, 2013 and 2012, no shares issued and outstanding at December 31, 2013 and 2012	—	—
Common stock, par value $0.01 per share, 450,000,000 shares authorized at December 31, 2013 and 2012, 28,506,977 and 9,267,162 shares issued and outstanding at December 31, 2013 and 2012, respectively	284	92
Additional paid in capital	419,405	169,200
Accumulated deficit	(13,473)	(3,854)
Total stockholders' equity	406,216	165,438
Total liabilities and stockholders' equity	$ 1,176,915	$ 387,859

See accompanying notes to consolidated financial statements.

ARES COMMERICAL REAL ESTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	For the year ended December 31,		For the Period from September 1, 2011 (Inception) to December 31, 2011
	2013	2012	
Net interest margin:			
Interest income from loans held for investment	$ 37,600	$ 9,278	$ 3
Interest expense	(8,774)	(2,342)	(39)
Net interest margin	28,826	6,936	(36)
Mortgage banking revenue:			
Servicing fees, net	5,802	—	—
Gains from mortgage banking activities	5,328	—	—
Provision for loss sharing	(6)	—	—
Change in fair value of mortgage servicing rights	(2,697)	—	—
Mortgage banking revenue	8,427	—	—
Other income	1,333	—	—
Total revenue	38,586	6,936	(36)
Expenses:			
Other interest expense	6,556	216	—
Management fees to affiliate	4,241	1,665	—
Professional fees	2,924	1,194	58
Compensation and benefits	5,456	—	—
Acquisition and investment pursuit costs	4,079	—	—
General and administrative expenses	3,955	1,285	69
General and administrative expenses reimbursed to affiliate	3,610	1,619	—
Total expenses	30,821	5,979	127
Changes in fair value of derivatives	1,739	(97)	—
Income from operations before gain on acquisition and income taxes	9,504	860	(163)
Gain on acquisition	4,438	—	—
Income before income taxes	13,942	860	(163)
Income tax expense	176	—	—
Net income	13,766	860	(163)
Less loss attributable to Series A Convertible Preferred Stock:			
Preferred dividends	—	(102)	—
Accretion of redemption premium	—	(572)	—
Net income attributable to common stockholders	$ 13,766	$ 186	$ (163)
Net income per common share:			
Basic and diluted earnings per common share	$ 0.72	$ 0.03	$ (8.56)
Weighted average number of common shares outstanding:			
Basic weighted average shares of common stock outstanding	18,989,500	6,532,706	19,052
Diluted weighted average shares of common stock outstanding	19,038,152	6,567,309	19,052

See accompanying notes to consolidated financial statements.

ARES COMMERICAL REAL ESTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balance at September 1, 2011 (Inception)	—	$ —	$ —	$ —	$ —
Private issuance of common stock	—	—	6,600	—	6,600
Net loss	—	—	—	(163)	(163)
Balance at December 31, 2011	—	—	6,600	(163)	6,437
Authorized increase in common stock	330,000	3	(3)	—	—
Private issuance of common stock	1,170,000	12	23,388	—	23,400
Sale of common stock	7,700,000	77	142,373	—	142,450
Stock-based compensation	67,162	—	338	—	338
Offering costs	—	—	(3,496)	—	(3,496)
Net income	—	—	—	186	186
Dividends declared	—	—	—	(3,877)	(3,877)
Balance at December 31, 2012	9,267,162	92	169,200	(3,854)	165,438
Sale of common stock	18,601,590	186	250,501	—	250,687
Issuance of common stock-acquisition of ACRE Capital	588,235	6	7,506	—	7,512
Offering costs	—	—	(8,412)	—	(8,412)
Stock-based compensation	49,990	—	524	—	524
Net income	—	—	—	13,766	13,766
2015 Convertible Notes	—	—	86	—	86
Dividends declared	—	—	—	(23,385)	(23,385)
Balance at December 31, 2013	28,506,977	$ 284	$ 419,405	$ (13,473)	$ 406,216

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See accompanying notes to consolidated financial statements.

ARES COMMERICAL REAL ESTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Years Ended December 31,		For the Period From September 1, 2011 (Inception) to
	2013	2012	December 31, 2011
Operating activities:			
Net income (loss)	$ 13,766	$ 860	$ (163)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of deferred financing costs	1,922	698	39
Gains attributable to fair value of future servicing rights	(2,293)	—	—
Change in fair value of loan commitments	(1,056)	—	—
Change in fair value of forward sale commitments	239	—	—
Change in fair value of mortgage servicing rights	2,697	—	—
Accretion of deferred loan origination fees and costs	(2,366)	(400)	—
Provision for loss sharing	6	—	—
Cash paid to settle loss sharing obligations	(2,040)	—	—
Originations of mortgage loans held for sale	(84,150)	—	—
Sale of mortgage loans held for sale to third parties	102,363	—	—
Stock-based compensation	524	338	—
Changes in fair value of derivatives	(1,739)	97	—
Amortization of convertible notes issuance costs	826	—	—
Accretion of convertible notes	526	—	—
Gain on acquisition	(4,438)	—	—
Depreciation expense	38	—	—
Deferred tax expense	61	—	—
Changes in operating assets and liabilities:			
Restricted cash	1,648	—	—
Other assets	(4,414)	(2,508)	188
Due to affiliate	1,476	1,089	231
Other liabilities	208	—	—
Accounts payable and accrued expenses	1,640	1,778	123
Net cash provided by operating activities	25,444	1,952	418
Investing activities:			
Issuance of and fundings on loans held for investment	(675,607)	(351,875)	(5,055)
Principal repayment of loans held for investment	66,920	180	—
Receipt of origination fees	6,058	3,540	110
Issuance of mortgage loans held for sale	(84,769)	—	—
Acquisition of ACRE Capital, net of cash acquired	(58,258)	—	—
Purchases of property and equipment	(41)	—	—
Net cash used in investing activities	(745,697)	(348,155)	(4,945)
Financing activities:			
Proceeds from secured funding arrangements	703,154	278,353	—
Repayments of secured funding arrangements	(582,991)	(134,097)	—
Secured funding costs	(7,033)	(2,323)	(833)
Proceeds from unsecured convertible debt	—	69,000	—
Convertible notes issuance costs	—	(2,748)	—
Proceeds from warehouse lines of credit	97,676	—	—
Repayments of warehouse lines of credit	(112,148)	—	—
Proceeds from issuance of Series A convertible preferred stock	—	5,723	—
Proceeds from sale of common stock	250,687	165,850	6,600
Proceeds from issuance of debt of consolidated VIE	395,027	—	—
Redemption of Series A convertible preferred stock	—	(6,295)	—
Payment of offering costs	(8,834)	(3,448)	—
Common dividend payment	(18,575)	(1,560)	—
Series A preferred dividend	—	(102)	—
Net cash provided by financing activities	716,963	368,353	5,767
Change in cash and cash equivalents	(3,290)	22,150	1,240
Cash and cash equivalents, beginning of period	23,390	1,240	—
Cash and cash equivalents, end of period	$ 20,100	$ 23,390	$ 1,240
Supplemental Information:			
Interest paid during the period	$ 11,317	$ 1,254	$ —
Supplemental disclosure of noncash investing and financing activities:			
Dividends payable	$ 7,127	$ 2,316	$ —
Deferred financing and offering costs	$ 174	$ 244	$ 596
Issuance of common stock for acquisition of ACRE Capital	$ 7,512	$ —	$ —
Fair value of assets acquired from ACRE Capital, net of cash acquired	$ 112,609	$ —	$ —
Fair value of liabilities assumed from ACRE Capital	$ 48,401	$ —	$ —

See accompanying notes to consolidated financial statements.

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2013
(in thousands, except share and per share data, percentages and as otherwise indicated)

1. ORGANIZATION

Ares Commercial Real Estate Corporation (together with its consolidated subsidiaries, the "Company" and "ACRE") is a specialty finance company that is primarily focused on directly originating, managing and servicing a diversified portfolio of commercial real estate ("CRE") debt-related investments for the Company's own account. The Company's target investments include senior loans, bridge loans, subordinated mortgages and B-Notes, preferred equity and other CRE-related investments. Through Ares Commercial Real Estate Management LLC ("ACREM" or the Company's "Manager"), a Securities and Exchange Commission ("SEC") registered investment adviser and a wholly owned subsidiary of Ares Management LLC, or "Ares Management," a global alternative asset manager and also a SEC registered investment adviser, it has investment professionals strategically located across the nation who directly source new loan opportunities for the Company with owners, operators and sponsors of CRE properties. The Company generally holds its loans for investment and earns interest and interest-related income. This is the Company's primary business segment, referred to as the principal lending business.

The Company is also engaged in the mortgage banking business through its wholly owned subsidiary, ACRE Capital LLC ("ACRE Capital"), which the Company believes is complementary to its principal lending business. In this business segment, the Company directly originates long-term senior loans collateralized by multifamily and senior-living properties and sells them to third parties pursuant to government and government-sponsored entity ("GSE") programs. While the Company earns little interest income from these activities as it generally only holds loans for short periods, the Company receives origination fees when it closes loans and sale premiums when it sells loans. The Company also retains the rights to service the loans, which are known as mortgage servicing rights ("MSRs") and receive fees for providing such service during the life of the loans which generally last ten years or more.

Because the Company operates both as a principal lender and a mortgage banker (with respect to loans collateralized by multifamily and senior-living properties), the Company can offer a wider array of financing solutions to its customers, including (i) short and long-term loans ranging from one to ten (or more) years, (ii) bridge and permanent loans, (iii) floating and fixed rate loans, and (iv) loans collateralized by development, value-add (or transitional) and stabilized properties. The Company also has the flexibility to provide a combination of solutions to its customers, including instances where the Company's principal lending business provides a short-term, bridge loan to an owner of multifamily properties while the Company's mortgage banking business seeks long-term permanent financing for the same customer. This provides the Company the opportunity to offer a customer an efficient "one stop" financial product and at the same time earn revenues at multiple times in the relationship with the customer. First, the Company earns interest and interest-related income while holding the short term bridge loan. Second, the Company earns origination fees and sale premiums when the Company provides permanent financing and sells the loans under GSE programs. And, third, the Company earns servicing fees from MSRs that the Company retains on the permanent loans.

The Company was formed and commenced operations in late 2011. The Company is a Maryland corporation and completed its initial public offering (the "IPO") in May 2012. The Company is externally managed by its Manager, a wholly owned subsidiary of Ares Management, a global alternative asset manager and a SEC registered investment adviser, pursuant to the terms of a management agreement.

From the commencement of the Company's operations, it has been focused on its principal lending business. The Company's loans, referred to as its "principal lending target investments," are generally held for investment and are secured, directly or indirectly, by office, multifamily, retail, industrial, lodging, senior living and other commercial real estate properties, or by ownership interests therein and include: (a) "transitional senior" mortgage loans, (b) "stretch senior" mortgage loans, (c) "bridge financing" mortgage loans that provide short-term financing to borrowers ranging from six to 24 months in term. Bridge loans may be used to provide financing to borrowers seeking GSE permanent loans while they work through the application process or in the event the underlying properties need additional time to stabilize before locking in long-term debt, (d) subordinated real estate loans such as B-Notes, mezzanine loans, certain rated tranches of securitizations and (e) other select CRE debt and preferred equity investments. "Transitional senior" mortgage loans provide strategic, flexible, short-term financing solutions for owners of transitional CRE middle-market assets that are the subject of a business plan that is expected to enhance the value of the property. "Stretch senior" mortgage loans provide flexible "one stop" financing for owners of CRE middle-market assets that are typically stabilized or near-stabilized properties with healthy balance sheets and steady cash flows. These mortgage loans typically have higher leverage (and thus higher loan-to-value ratios) than conventional mortgage loans provided by banks, insurance companies and other CRE lenders and are generally non-recourse to the borrower (as compared to conventional mortgage loans, which are often with partial or full recourse to the borrower).

On August 30, 2013, the Company commenced its complementary mortgage banking business by acquiring all of the outstanding common units of EF&A Funding, L.L.C., d/b/a Alliant Capital LLC ("Alliant"), a Michigan limited liability company (the "Acquisition"), which the Company renamed ACRE Capital LLC ("ACRE Capital") at closing. The Company paid approximately $53.4 million in cash, subject to adjustment, and issued 588,235 shares of its common stock in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") as consideration for the Acquisition. The transaction was accounted for as a business combination under Financial Accounting Standards Board ("FASB") Accounting Standard Codification "(ASC") Topic 805, *Business Combinations* ("ASC 805"). In the mortgage banking business segment, the Company directly originates and sells loans with a focus on lending for multifamily and senior-living properties under GSE programs while retaining MSRs.

The Company has elected and qualified to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2012. The Company generally will not be subject to U.S. federal income taxes on its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, to the extent that it annually distributes all of its REIT taxable income to stockholders and complies with various other requirements as a REIT.

In connection with the Acquisition, the Company created a wholly owned subsidiary, ACRE Capital Holdings LLC ("TRS Holdings"), to hold the common units of ACRE Capital. An entity classification election to be taxed as a corporation and a taxable REIT subsidiary ("TRS") election were made with respect to TRS Holdings. In addition, in December 2013, the Company formed a new wholly owned subsidiary, ACRC Lender W TRS LLC ("ACRC TRS"), for which an entity classification election to be taxed as a corporation and a TRS election were made, in order to issue and hold certain loans intended for sale. A TRS is an entity taxed as a corporation other than a REIT in which a REIT directly or indirectly holds equity, and that has made a joint election with such REIT to be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by the Company without jeopardizing its qualification as a REIT. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. In addition, as a

REIT, the Company also may be subject to a 100% excise tax on certain transactions between it and its TRS that are not conducted on an arm's-length basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles ("GAAP") and include the accounts of the Company, the consolidated variable interest entity ("VIE") for which the Company controls and is the primary beneficiary, and its wholly owned subsidiaries, including the results of operations of ACRE Capital from September 1, 2013 (the "Accounting Effective Date") to December 31, 2013. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the Company's results of operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Variable Interest Entities

The Company evaluates all of its interests in VIEs for consolidation. When the Company's interests are determined to be variable interests, the Company assesses whether it is deemed to be the primary beneficiary of the VIE. The primary beneficiary of a VIE is required to consolidate the VIE. FASB ASC Topic 810, *Consolidation* ("ASC 810"), defines the primary beneficiary as the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant. The Company considers its variable interests as well as any variable interests of its related parties in making this determination. Where both of these factors are present, the Company is deemed to be the primary beneficiary and it consolidates the VIE. Where either one of these factors is not present, the Company is not the primary beneficiary and it does not consolidate the VIE.

To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE or have the right to unilaterally remove those decision makers are deemed to have the power to direct the activities of a VIE.

To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers all of its economic interests, including debt and equity investments, servicing fees, and other arrangements deemed to be variable interests in the VIE. This assessment requires that the Company applies judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by the Company.

The Company issued a commercial mortgage backed security ("CMBS") which is a rated security issued by a CMBS trust and it retained the subordinated portion of the trust. The CMBS trust is treated for U.S. federal income tax purposes as a real estate mortgage investment conduit. A related party of the Company has the role of special servicer. In the related party's role as special servicer, the Company has the power to direct activities of the trust during the loan workout process on defaulted

and delinquent loans, as permitted by the underlying contractual agreements. In exchange for these services, the related party of the Company receives a fee. These rights give the Company the ability to direct activities that could significantly impact the CMBS trust's economic performance. However, in those instances where an unrelated third party has the right to unilaterally remove the special servicer, the Company does not have the power to direct activities that most significantly impact the CMBS trust's economic performance. The Company evaluated its positions in such investments for consolidation.

For VIEs in which the Company is determined to be the primary beneficiary, all of the underlying assets, liabilities, equity, revenue and expenses of the structures are consolidated into the Company's consolidated financial statements.

The Company performs an ongoing reassessment of: (1) whether any entities previously evaluated under the majority voting interest framework have become VIEs, based on certain events, and therefore are subject to the VIE consolidation framework, and (2) whether changes in the facts and circumstances regarding our involvement with a VIE causes the Company's consolidation conclusion regarding the VIE to change.

Segment Reporting

Prior to the Acquisition, the Company focused primarily on originating, investing in and managing middle-market CRE loans and other CRE-related investments and operated in one reportable business segment. As a result of the Acquisition, the Company now has two reportable business segments: principal lending, and through ACRE Capital, mortgage banking of multifamily CRE loans. ACRE Capital is included in the consolidated financial statements for the period from September 1, 2013 to December 31, 2013. See Note 19 for further discussion of the Company's reportable business segments.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Deferred financing costs and accrued interest receivable have been reclassified into other assets in the consolidated balance sheets. Derivative liability and accounts payable and accrued expenses have been reclassified into other liabilities in the consolidated balance sheets. Interest receivable and refundable deposits have been reclassified into other assets in the consolidated statements of cash flows. The unrealized loss on the 2015 Convertible Notes has been reclassified into changes in fair value of derivatives in the consolidated statements of operations.

Cash and Cash Equivalents

Cash and cash equivalents include funds on deposit with financial institutions, including demand deposits with financial institutions.

Restricted Cash

Restricted cash includes escrow deposits for taxes, insurance, leasing outlays, capital expenditures, tenant security deposits and payments required under certain loan agreements. These escrow deposits are held on behalf of the respective borrowers and are offset by escrow liabilities included in "Other liabilities" in the consolidated balance sheets. As of December 31, 2013, ACRE Capital's restricted cash consisted of reserves that are a requirement of the Delegated Underwriting and Servicing ("DUS") program and borrower deposits, which represent funds that were collected for the processing of the borrowers loan applications and loan commitments.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and restricted cash, loans held for investment, mortgage servicing rights ("MSR"), loans held for sale, interest receivable, derivative financial instruments and allowance for loss sharing. The Company places its cash and cash equivalents with financial institutions and, at times, cash held may exceed the FDIC-insured limit. The Company has exposure to credit risk on its loans held for investment and through its subsidiary ACRE Capital, the Company has exposure on credit risk on loans held for sale and the servicing portfolio whereby ACRE Capital shares in the risk of loss (see Note 7). The Company's Manager will seek to manage credit risk by performing credit fundamental analysis of potential collateral assets.

Loans Held for Investment

The Company originates CRE debt and related instruments generally to be held for investment and to maturity. Loans that are held for investment are carried at cost, net of unamortized loan fees and origination costs, unless the loans are deemed impaired.

Impairment occurs when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, the Company will record an allowance to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate.

Each loan classified as held for investment is evaluated for impairment on a periodic basis. Loans are collateralized by real estate and as a result, the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower could impact the expected amounts received and as a result are regularly evaluated. The Company monitors performance of its investment portfolio under the following methodology: (1) borrower review, which analyzes the borrower's ability to execute on its original business plan, reviews its financial condition, assesses pending litigation and considers its general level of responsiveness and cooperation; (2) economic review, which considers underlying collateral, (i.e. leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service as well as the residual loan balance at maturity); (3) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (4) market review, which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective. Such impairment analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, and the borrower's exit plan, among other factors.

In addition, the Company evaluates the entire portfolio to determine whether the portfolio has any impairment that requires a valuation allowance on the remainder of the loan portfolio. As of December 31, 2013, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011, there are no impairments on the Company's loan portfolio.

Loans held for sale

Through its subsidiaries, ACRE Capital and ACRC TRS, the Company originates multifamily mortgage loans, which are recorded at fair value. The holding period for loans made by ACRE Capital is approximately 30 days. The carrying value of the mortgage loans sold is reduced by the value allocated to the associated retained MSRs based on relative fair value at the time of the sale. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the adjusted value of the related mortgage loans sold.

Although the Company generally holds its target investments as long-term investments within its principal lending business, the Company may occasionally classify some of its investments as held for sale. Investments held for sale will be carried at fair value within loans held for sale, at fair value in the Company's consolidated balance sheets, with changes in fair value recorded through earnings. The fees received are deferred and recognized as part of the gain or loss on sale. As of December 31, 2013, the Company had one loan held for sale in its principal lending business of $84.8 million, net of deferred fees, included in the $89.2 million of loans held for sale in the consolidated balance sheets.

Mortgage Servicing Rights

When a mortgage loan is sold, ACRE Capital retains the right to service the loan and recognizes the MSR at fair value. The initial fair value represents expected net cash flows from servicing, as well as borrower prepayment penalties, interest earnings on escrows and interim cash balances, delinquency rates, late charges along with ancillary fees that are discounted at a rate that reflects the credit and liquidity risk of the MSR over the estimated life of the underlying loan. After initial recognition, changes in the MSR fair value are included within change in fair value of mortgage servicing rights in the Company's consolidated statements of operations for the period in which the change occurs.

Intangible Assets

Intangible assets consist of ACRE Capital's licenses permitting it to participate in programs offered by the Federal National Mortgage Association ("Fannie Mae") and the Government National Mortgage Association ("Ginnie Mae") and the Federal Housing Administration, a division of the U.S. Department of Housing and Urban Development (together with Ginnie Mae, "HUD"). These licenses are intangible assets with indefinite lives and were acquired in connection with the Acquisition. As of the date of the Acquisition, these assets are recorded at fair value. The Company evaluates identified intangibles for impairment annually or if other events or circumstances indicate that the carrying value may be impaired.

Deferred Financing Costs

Deferred financing costs are capitalized and amortized over the terms of the respective debt instrument.

Derivative Financial Instruments

The Company does not hold or issue derivative instruments for trading purposes. The Company recognizes derivatives on its balance sheet, measures them at their estimated fair value and recognizes changes in their estimated fair value in the Company's results of operations for the period in which the change occurs.

On December 19, 2012, the Company issued $69.0 million aggregate principal amount of unsecured 7.000% Convertible Senior Notes due 2015 (the "2015 Convertible Notes"). The conversion features of the 2015 Convertible Notes were deemed to be an embedded derivative under FASB ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). In accordance with ASC 815, the Company was required to bifurcate the embedded derivative related to the conversion features of the 2015 Convertible Notes. Prior to June 26, 2013, the Company recognized the embedded derivative as a liability on its balance sheet, measured at its estimated fair value and recognized changes in its estimated fair value within changes in fair value of derivatives in the Company's consolidated statements of operations for the period in which the change occurs. See Note 6 for information on the derivative liability reclassification.

Through its subsidiary, ACRE Capital, the Company enters into loan commitments with borrowers on loan originations whereby the interest rate on the prospective loan is determined prior to funding.

In general, ACRE Capital simultaneously enters into forward sale commitments with investors in order to hedge against the interest rate exposure on loan commitments. The forward sale commitment with the investor locks in an interest rate and price for the sale of the loan. The terms of the loan commitment with the borrower and the forward sale commitment with the investor are matched with the objective of hedging interest rate risk. Loan commitments and forward sale commitments are considered undesignated derivative instruments. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value, with changes in fair value recorded in earnings.

Fair Value Measurements

The Company determines the estimated fair value of financial assets and liabilities using the three-tier fair value hierarchy established by GAAP, which prioritizes the inputs used in measuring fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The financial instruments recorded at fair value on a recurring basis in the Company's consolidated financial statements are derivative financial instruments, MSRs and loans held for sale. The Company has not elected the fair value option for certain other financial instruments, including loans held for investment, secured funding agreements and other debt instruments. Such financial instruments are carried at cost. Fair value is separately disclosed (see Note 14). The three levels of inputs that may be used to measure fair value are as follows:

Level I—Quoted prices in active markets for identical assets or liabilities.

Level II—Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level III—Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used.

Allowance for loss sharing

When a loan is sold under the Fannie Mae DUS program, ACRE Capital undertakes an obligation to partially guarantee the performance of the loan. The date ACRE Capital commits to make a loan to a borrower, a liability for the fair value of the obligation undertaken in issuing the guaranty is recognized. Subsequent to the initial commitment date, the Company monitors the performance of each loan for events or circumstances which may signal a liability to be recognized if there is a probable and estimable loss. The initial fair value of the guarantee is estimated by examining historical loss share experienced in the ACRE Capital portfolio since inception. The initial fair value of the guarantee is included within provision for loss sharing in the Company's consolidated statements of operations. These historical loss shares serve as a basis to derive a loss share rate which is then applied to the current ACRE Capital portfolio (net of specifically identified impaired loans that are subject to a separate loss share reserve analysis).

Servicing fee payable

ACRE Capital provides additional payments to certain personnel by providing them with a percentage of the servicing fee revenue that is earned by ACRE Capital, which is initially recorded as a liability when the MSR is obtained and expensed as the servicing fee is earned over the life of the related mortgage loan ("servicing fee payable"). ACRE Capital incurs an expense over the life of each loan as long as the related loan is performing. If a particular loan is not performing, the recipient will not receive the additional compensation on that loan, and if a loss sharing event is triggered, the

recipient will not receive a portion of the additional compensation on other loans. The servicing fee payable is included within other liabilities in the consolidated balance sheets and the related expense is included within servicing fee revenue on a net basis in the consolidated statements of operations.

Revenue Recognition

Interest income from loans held for investment is accrued based on the outstanding principal amount and the contractual terms of each loan. For loans held for investment, origination fees, contractual exit fees and direct loan origination costs are also recognized in interest income from loans held for investment over the initial loan term as a yield adjustment using the effective interest method. Fees earned on loans held for sale are included within gains from mortgage banking activities below.

Servicing fees are earned for servicing mortgage loans, including all activities related to servicing the loans, and are recognized as services are provided over the life of the related mortgage loan. Also included in servicing fees are the fees earned on borrower prepayment penalties and interest earned on borrowers' escrow payments and interim cash balances, along with other ancillary fees.

Gains from mortgage banking activities includes the initial fair value of MSRs, loan origination fees, gain on the sale of loans, interest income on loans held for sale and changes to the fair value of derivative financial instruments, attributable to the loan commitments and forward sale commitments. The initial fair value of MSRs, loan origination fees, gain on the sale of loans, and certain direct loan origination costs for loans held for sale are recognized when ACRE Capital commits to make a loan to a borrower. When the Company enters into a sale agreement and transfers the mortgage loan to the seller, the Company recognizes a MSR asset equal to the present value of the expected net cash flows associated with the servicing of loans sold.

Stock-Based Compensation

The Company recognizes the cost of stock-based compensation, which is included within general and administrative expenses in the consolidated statements of operations. The fair value of the time vested restricted stock or restricted stock units granted is recorded to expense on a straight-line basis over the vesting period for the award, with an offsetting increase in stockholders' equity. For grants to directors, officers and employees, the fair value is determined based upon the market price of the stock on the grant date.

Underwriting Commissions and Offering Costs

Underwriting commissions and offering costs incurred in connection with common stock offerings are reflected as a reduction of additional paid-in capital. Costs incurred that are not directly associated with the completion of a common stock offering are expensed when incurred. Underwriting commissions that are the responsibility of and paid by a related party, such as the Company's Manager, are reflected as a contribution of additional paid-in capital from a sponsor in the consolidated financial statements.

Income Taxes

The Company has elected and qualified for taxation as a REIT commencing with its taxable year ended December 31, 2012. As a result of the Company's REIT qualification and its distribution policy, the Company does not generally pay U.S. federal corporate level income taxes. Many of the REIT requirements, however, are highly technical and complex. To continue to qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that the Company distribute annually at least 90% of the Company's REIT taxable income to the Company's stockholders. If the Company fails to continue to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company will be subject to U.S. federal and

state income taxes at regular corporate rates (including any applicable alternative minimum tax) beginning with the year in which it fails to qualify and may be precluded from being able to elect to be treated as a REIT for the Company's four subsequent taxable years. Even though the Company currently qualifies for taxation as a REIT, the Company may be subject to certain U.S. federal, state, local and foreign taxes on the Company's income and property and to U.S. federal income and excise taxes on the Company's undistributed REIT taxable income.

The Company currently owns 100% of the equity of TRS Holdings and ACRC TRS, each of which is a TRS. A TRS is subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. In addition, as a REIT, the Company also may be subject to a 100% excise tax on certain transactions between it and its TRS that are not conducted on an arm's-length basis. For financial reporting purposes, a provision for current and deferred taxes has been established for the portion of the Company's GAAP consolidated earnings recognized by TRS Holdings and ACRC TRS.

FASB ASC Topic 740, *Income Taxes* , ("ASC 740") prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. As of December 31, 2013 and 2012, based on the Company's evaluation, there is no reserve for any uncertain income tax positions. TRS Holdings and ACRC TRS recognize interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statements of operations. Accrued interest and penalties are included within other liabilities in the consolidated balance sheets.

Comprehensive Income

For the years ended December 31, 2013 and 2012 and the period from September 1, 2011 (inception) to December 31, 2011, comprehensive income equaled net income; therefore, a separate consolidated statement of comprehensive income is not included in the accompanying consolidated financial statements.

Earnings per Share

The Company calculates basic earnings (loss) per share by dividing net income (loss) allocable to common stockholders for the period by the weighted-average shares of common stock outstanding for that period after consideration of the earnings (loss) allocated to the Company's restricted stock and restricted stock units, which are participating securities as defined in GAAP. Diluted earnings (loss) per share takes into effect any dilutive instruments, such as restricted stock, restricted stock units and convertible debt, except when doing so would be anti-dilutive. With respect to the 2015 Convertible Notes (as defined above), the Company has the ability and intention to settle the principal in cash and to settle any amount above par in shares of the Company's common stock if the conversion options were exercised. As such, the Company is applying the treasury stock method when determining the dilutive impact on earnings per share.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. The Company recognizes identifiable assets acquired and liabilities (both specific and contingent) assumed at their fair values at the acquisition date. Furthermore, acquisition-related costs, such as due diligence, legal and accounting fees, are not capitalized or applied in determining the fair value of the acquired assets. The excess of the assets acquired, identifiable intangible assets and liabilities assumed over the purchase price is recognized as a gain on acquisition. During the measurement period, the Company records adjustments to the assets acquired and liabilities assumed with corresponding adjustments to the gain on acquisition. After the measurement period, which could be up to one year after the transaction date, subsequent adjustments are recorded through earnings.

3. LOANS HELD FOR INVESTMENT

As of December 31, 2013, the Company had originated or co-originated 33 loans secured by CRE middle-market properties, excluding three loans that were repaid during the year ended December 31, 2013. The aggregate originated commitment under these loans at closing was approximately $1.1 billion and outstanding principal was $965.4 million as of December 31, 2013. During the year ended December 31, 2013, the Company funded approximately $675.6 million and received repayments of $66.9 million on its net $965.4 million of outstanding principal as described in more detail in the tables below. Such investments are referred to herein as the Company's investment portfolio. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

The Company's investments in mortgages and loans held for investment are accounted for at amortized cost. The following tables present an overview of the investment portfolio in the Company's principal lending business as of December 31, 2013 and 2012:

	December 31, 2013				
$ in thousands	Carrying Amount(1)	Outstanding Principal(1)	Weighted Average Interest Rate	Weighted Average Unleveraged Effective Yield	Weighted Average Remaining Life (Years)
Senior mortgage loans	$ 867,578	$ 873,781	5.1%	5.6%	2.4
Subordinated and mezzanine loans	90,917	91,655	9.8%	10.2%	3.6
Total	$ 958,495	$ 965,436	5.5%	6.0%	2.5

	December 31, 2012				
$ in thousands	Carrying Amount(1)	Outstanding Principal(1)	Weighted Average Interest Rate	Weighted Average Unleveraged Effective Yield	Weighted Average Remaining Life (Years)
Senior mortgage loans	$ 312,883	$ 315,750	5.9%	6.8%	2.8
Subordinated and mezzanine loans	40,617	41,000	9.9%	11.4%	2.4
Total	$ 353,500	$ 356,750	6.4%	7.4%	2.8

(1) The difference between the carrying amount and the outstanding principal face amount of the loans held for investment consists of unamortized purchase discount, deferred loan fees and loan origination costs.

A more detailed listing of the Company's current investment portfolio, based on information available as of December 31, 2013 is as follows:

(amounts in millions, except percentages)

Loan Type	Location	Total Commitment (at closing)	Outstanding Principal(1)	Carrying Amount (1)	Interest Rate	LIBOR Floor	Unleveraged Effective Yield(2)	Maturity Date(3)	Payment Terms (4)
Transitional Senior Mortgage Loans:									
Retail	Chicago, IL	75.9	$ 70.0	$ 69.3	L+4.25%	0.3%	4.9%	Aug 2017	I/O
Office	Orange County, CA	75.0	75.0	74.3	L+3.75%	0.2%	4.2%	Aug 2017	I/O
Apartment	Brandon, FL	49.6	47.8	47.5	L+4.80%	0.5%	5.9%	Jan 2016	I/O
Apartment	McKinney, TX	45.3	40.3	40.0	L+3.75%	—	4.5%	Jul 2016	I/O
Office	Dallas, TX	105.8	44.2	43.1	L+5.00%	0.3%	6.0%	Jan 2017	I/O
Office	Austin, TX	38.0	33.0	32.8	L+5.75%-L+5.25% (5)	1.0%	7.6%	Mar 2015	I/O
Industrial	Kansas City, MO	38.0	38.0	37.6	L+4.30%	0.3%	5.1%	Jan 2017	I/O
Apartment	New York, NY	38.4(6)	37.4	37.1	L+5.00%	0.8%	6.1%	Oct 2017	I/O
Apartment	Houston, TX	35.5	32.9	32.6	L+3.75%	—	4.5%	Jul 2016	I/O
Office	Cincinnati, OH	35.5	28.5	28.4	L+5.35%-L+5.00% (7)	0.3%	6.0%	Nov 2015	I/O
Apartment	New York, NY	26.3	25.5	25.4	L+5.75%-L+5.00% (8)	0.2%	6.5%	Dec 2015	I/O
Office	Overland Park, KS	25.5	25.4	25.2	L+5.00%	0.3%	5.8%	Mar 2016	I/O
Apartment	Richmond, TX	28.2	25.1	24.9	L+3.65%	—	4.4%	Jan 2017	I/O
Apartment	Fort Worth, TX	25.4	23.0	22.9	L+3.65%	—	4.4%	Jan 2017	I/O
Apartment	Avondale, AZ	22.1	21.4	21.3	L+4.25%	1.0%	5.9%	Sep 2015	I/O
Apartment	New York, NY	21.9	20.3	20.1	L+5.75%-L+5.00% (8)	0.2%	6.5%	Dec 2015	I/O
Apartment	New York, NY	21.8	20.1	20.0	L+5.75%-L+5.00% (8)	0.2%	6.5%	Dec 2015	I/O
Flex/Warehouse	Springfield, VA	19.7	19.0	18.8	L+5.25%	0.3%	6.4%	Dec 2015	I/O
Office	San Diego, CA	17.1	14.9	14.7	L+3.75%	0.3%	4.5%	Jul 2016	I/O
Office	Irvine, CA	15.2	14.7	14.6	L+4.50%	0.3%	5.3%	Jul 2016	I/O
Office	Denver, CO	11.0	10.5	10.5	L+5.50%	1.0%	7.8%	Jan 2015	I/O
Apartment	New York, NY	16.5	14.3	14.1	L+4.50%	0.2%	5.2%	Dec 2016	I/O
Apartment	Decatur, GA	23.5(9)	21.9	21.9	L+4.95%(9)	0.5%	5.7%	Apr 2016	I/O
Apartment	Alpharetta, GA	38.6(9)	36.1	36.1	L+4.95%(9)	0.5%	5.7%	Apr 2016	I/O
Apartment	Chamblee, GA	46.0(9)	42.6	42.6	L+4.95%(9)	0.5%	5.7%	Apr 2016	I/O
Office	Fort Lauderdale, FL	37.0(10)	30.3	30.3	L+5.25%(10)	0.8%	6.3%	Feb 2015	I/O
Stretch Senior Mortgage Loans:									
Office	Miami, FL	47.0	47.0(11)	47.0	L+5.25%	1.0%	6.5%	Apr 2014	I/O
Office	Mountain View, CA	15.0	14.5	14.4	L+4.75%	0.5%	5.7%	Feb 2016	I/O
Subordinated Debt Investments:									
Office	Chicago, IL	37.0	37.0	36.7	8.75%	—	9.1%	Aug 2016	I/O
Apartment	Long Island, NY	15.3	7.1	6.9	11.50%(12)	—	11.9%	Nov 2016	I/O

Apartment	New York, NY	31.3	28.4	28.3	L+9.90%(13)	0.2%	10.4%	Jan 2019	I/O
Office	Atlanta, GA	14.3	14.3	14.3	10.50%(14)	—	11.0%	Aug 2017	I/O
Apartment	Houston, TX	4.9	4.9	4.8	L+11.00%(15)	—	11.6%	Oct 2016	I/O
Total/Average		$ 1,097.6	$ 965.4	$ 958.5			6.0%		

(1) The difference between the carrying amount and the outstanding principal face amount of the loans held for investment consists of unamortized purchase discount, deferred loan fees and loan origination costs.

(2) Unleveraged Effective Yield is the compounded effective rate of return that would be earned over the life of the investment based on the contractual interest rate (adjusted for any deferred loan fees, costs, premium or discount) and assumes no dispositions, early prepayments or defaults. Unleveraged Effective Yield for each loan is calculated based on LIBOR as of December 31, 2013 or the LIBOR floor, as applicable. The Total/Average Unleveraged Effective Yield is calculated based on the average of Unleveraged Effective Yield of all loans held by the Company as of December 31, 2013 as weighted by the Outstanding Principal balance of each loan.

(3) The Dallas, Miami, Mountain View and Orange County loans are subject to one 12-month extension option. The Alpharetta, Austin, Avondale, Brandon, Chamblee, Chicago, Cincinnati, Decatur, Fort Lauderdale, Fort Worth Houston, Irvine, Long Island, McKinney, New York loans with a Maturity Date of December 2015 and December 2016, Richmond and San Diego loans are subject to two 12-month extension options. Certain extension options may be subject to performance based or other conditions as stipulated in the loan agreement.

(4) I/O = interest only.

(5) The initial interest rate for this loan of L+5.75% steps down based on performance hurdles to L+5.25%.

(6) On August 9, 2013, the Company entered into a loan modification that increased the commitment to fund by $2.3 million (commitment to fund increased from $36.1 million to $38.4 million) in order to pay for more rent stabilized conversions and pay other miscellaneous costs.

(7) The initial interest rate for this loan of L+5.35% steps down based on performance hurdles to L+5.00%.

(8) The initial interest rate for this loan of L+5.75% steps down based on performance hurdles to L+5.00%.

(9) These loans were originally structured as an A/B note in a cross collateralized loan pool with ACRE holding the B-note. In connection with the CMBS financing on November 19, 2013, the Company purchased the A-note and modified and split the combined loan into individual senior whole loans.

(10) This loan was originally structured as an A/B note with ACRE holding the B-note. In connection with the CMBS financing on November 19, 2013, the Company purchased the A-note and the loan was modified and combined into a senior whole loan.

(11) On March 8, 2013, the Company entered into a loan assumption transaction with a new sponsor group to facilitate the purchase of a Class B office building in Miami, FL that was collateralized by the Company's existing $47.0 million first mortgage loan.

(12) The interest rate on this loan is 9.00% with 2.50% as payment-in-kind ("PIK") up to a certain dollar limit.

(13) This $28.4 million (outstanding principal) subordinated loan was made together with an $85.2 million (outstanding principal) senior loan held for sale by the Company and has an initial interest rate of LIBOR + 9.90% and an unleveraged effective yield as of December 31, 2013 of 10.4%. The outstanding principal balance, interest rate and unleveraged effective yield of this subordinated loan may change based on the terms of the sale of the associated senior loan by the Company and as certain asset-level performance hurdles are met and future funding commitments are made.

(14) The interest rate for this loan increases to 11.0% on September 1, 2014.

(15) The interest rate on this loan is L+ 9.00% with 2.00% up to a certain dollar limit as PIK.

As of December 31, 2013, the aggregate outstanding principal for the Company's loans held for investment and loans held for sale in its principal lending business was approximately $1.1 billion and the outstanding principal under the Company's loans held for investment was $965.4 million. A summary of the difference between outstanding principal on loans originated and held for sale is as follows (in thousands):

	As of December 31, 2013
Loans held for investment	$ 965,436
Loans held for sale	85,238(1)
Total outstanding principal	$ 1,050,674

(1) Represents the outstanding principal of an investment classified as loans held for sale within "loans held for sale, at fair value" in the Company's consolidated balance sheets.

For the years ended December 31, 2013 and 2012, the activity in the Company's loan portfolio was as follows ($ in thousands):

Balance as December 31, 2011	$ 4,945
Initial funding	347,779
Receipt of origination fee, net of costs	(3,540)
Additional funding	4,096
Amortizing payments	(180)
Origination fee accretion	400
Balance at December 31, 2012	$ 353,500
Initial funding	640,384
Receipt of origination fee, net of costs	(6,058)
Additional funding	35,223
Amortizing payments	(150)
Origination fee accretion	2,366
Loan payoffs(1)	(66,770)
Balance at December 31, 2013	$ 958,495

(1) On June 27, 2013, the stretch senior mortgage loan on the apartment building in Arlington, VA was paid off in the amount of $13.4 million. There was no gain(loss) with respect to the repayment of this loan; however, included in interest income from loans held for investment for the year ended December 31, 2013 is $146 thousand of accelerated loan origination fees and costs. On August 21, 2013, the stretch senior mortgage loan on the office building in Boston, MA was paid off in the amount of $34.7 million. There was no gain(loss) with respect to the repayment of this loan; however, included in interest income from loans held for investment for the year ended December 31, 2013 is $298 thousand of accelerated loan origination fees and costs. Additionally, on November 21, 2013, the subordinated debt investment on the apartment building in Rocklin, CA was paid off in the amount of $18.7 million. There was no gain(loss) or accelerated loan origination fees or costs associated with the repayment of this loan.

No impairment charges have been recognized as of December 31, 2013 and 2012.

4. MORTGAGE SERVICING RIGHTS

MSRs represent servicing rights retained by ACRE Capital for loans it originates and sells. The servicing fees are collected from the monthly payments made by the borrowers. ACRE Capital generally receives other remuneration including rights to various loan fees such as late charges, collateral re-conveyance charges, loan prepayment penalties, and other ancillary fees. In addition, ACRE Capital is also generally entitled to retain the interest earned on funds held pending remittance related to its collection of loan principal and escrow balances. The initial fair value of MSRs purchased in the Acquisition was $61.2 million.

As of December 31, 2013, the carrying value of MSRs was approximately $59.6 million.

Activity related to MSRs for the year ended December 31, 2013 was as follows (in thousands):

	For the year ended December 31, 2013
MSRs acquired in the ACRE Capital acquisition (See Note 18)	$ 61,236
Additions, following sale of loan	2,385
Changes in fair value	(2,697)
Prepayments and write-offs	(1,284)
Ending balance, as of December 31, 2013	$ 59,640

As discussed in Note 2, the Company determines the fair values of the MSRs based on discounted cash flow models that calculate the present value of estimated future net servicing income. The fair values of ACRE Capital's MSR portfolio is subject to changes in interest rates. For example, a 100 basis point increase or decrease in the weighted average discount rate would decrease or increase, respectively, the fair value of ACRE Capital's MSRs outstanding as of December 31, 2013 by approximately $1.8 million.

5. INTANGIBLE ASSETS

As of December 31, 2013, the carrying values of the Company's intangible assets were $5.0 million, which are included within other assets in the Company's consolidated balance sheets. The identified intangible assets have indefinite lives and are not subject to amortization. The Company performs an annual assessment of impairment of its intangible assets in the fourth quarter of each year or whenever events or circumstances make it more likely than not that impairment may have occurred. As of December 31, 2013, there has been no impairment charges recognized.

6. DEBT

Funding Agreements

The Company borrows funds under the Wells Fargo Facility, the Citibank Facility, the Capital One Facility, the ASAP Line of Credit and the BAML Line of Credit (collectively, the "Funding Agreements").

$ in thousands	As of December 31, 2013		As of December 31, 2012	
	Outstanding Balances	Total Commitment	Outstanding Balances	Total Commitment
Wells Fargo Facility	$ 166,934	$ 225,000	$ 98,196	$ 172,500
Citibank Facility	97,485	125,000	13,900	86,225
Capital One Facility	—	100,000	32,160	50,000
ASAP Line of Credit	—	105,000	—	—
BAML Line of Credit	—	80,000	—	—
Total	$ 264,419	$ 635,000	$ 144,256	$ 308,725

The secured funding agreements are generally collateralized by assignments of specific loans held for investment or loans held for sale owned by the Company. The secured funding agreements are guaranteed by the Company. Generally, the Company partially offsets interest rate risk by matching the interest index of loans held for investment with the secured funding agreement used to fund them.

Wells Fargo Facility

On December 14, 2011, the Company entered into a $75.0 million secured revolving funding facility arranged by Wells Fargo Bank, National Association (the "Wells Fargo Facility"), pursuant to which the Company borrows funds to finance qualifying senior commercial mortgage loans, A-Notes, pari passu participations in commercial mortgage loans and mezzanine loans, subject to available collateral. From May 22, 2012 to June 26, 2013, the total commitment under the Wells Fargo Facility was $172.5 million. Prior to June 27, 2013, advances under the Wells Fargo Facility accrued interest at a per annum rate equal to the sum of (i) 30 day LIBOR plus (ii) a pricing margin range of 2.50%-2.75%. Since June 27, 2013, the total commitment under the Wells Fargo Facility was $225.0 million. On June 27, 2013, the pricing was reduced such that advances under the Wells Fargo Facility accrue interest at a per annum rate equal to the sum of (i) 30 day LIBOR plus (ii) a pricing margin range of 2.00%-2.50%. On May 15, 2012, the Company started to incur a non-utilization fee of 25 basis points on the average available balance of the Wells Fargo Facility. For the years ended December 31, 2013 and 2012, the Company incurred a non-utilization fee of $218 thousand and $222 thousand, respectively. The initial maturity date of the Wells Fargo Facility is December 14, 2014 and, provided that certain conditions are met and applicable extension fees are paid, is subject to two 12-month extension options. As of December 31, 2013 and 2012, the outstanding balance on the Wells Fargo Facility was $166.9 million and $98.2 million, respectively.

The Wells Fargo Facility contains various affirmative and negative covenants applicable to the Company and certain of the Company's subsidiaries, including the following: (a) limitations on the incurrence of additional indebtedness or liens, (b) limitations on how borrowed funds may be used, (c) limitations on certain distributions and dividend payments in excess of the minimum amount necessary to continue to qualify as a REIT and avoid the payment of income and excise taxes, (d) maintenance of adequate capital, (e) limitations on change of control, (f) maintaining a ratio of total debt to total assets of not more than 75%, (g) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA (net income before net interest expense, income tax expense, depreciation and amortization), as defined, to fixed charges) for the immediately preceding 12 month period ending on the last date of the applicable reporting period to be at least 1.25 to 1.00,

(h) maintaining a tangible net worth of at least the sum of (1) 80% of the Company's tangible net worth as of May 22, 2012, plus (2) 80% of the net proceeds raised in all future equity issuances by the Company, and (i) if certain specific debt yield, loan to value or other credit based tests are not met with respect to assets on the Wells Fargo Facility, the Company may be required to repay certain amounts under the Wells Fargo Facility. On November 8, 2013, the Wells Fargo Facility was modified to allow for pari passu senior participations in mortgage loans as eligible collateral, among other things. On December 20, 2013, the Wells Fargo Facility was modified to allow for mezzanine loan collateral, under certain circumstances among other things.

As of December 31, 2013, the Company was in compliance in all material respects with the terms of the Wells Fargo Facility.

Citibank Facility

On December 8, 2011, the Company entered into a $50.0 million secured revolving funding facility arranged by Citibank, N.A. (the "Citibank Facility") pursuant to which the Company borrows funds to finance qualifying senior commercial mortgage loans and A-Notes, subject to available collateral. From May 1, 2012 to July 11, 2013, the total commitment under the Citibank Facility was $86.2 million and from December 8, 2011 to April 16, 2012 the total commitment under the Citibank Facility was $50.0 million. Since July 12, 2013, the total commitment under the Citibank Facility was $125.0 million. Under the Citibank Facility, the Company borrows funds on a revolving basis in the form of individual loans. Each individual loan is secured by an underlying loan originated by the Company. Advances under the Citibank Facility accrue interest at a per annum rate based on 30 day LIBOR. From December 8, 2011 to July 11, 2013, the margin varied between 2.50% and 3.50% over the greater of 30 day LIBOR and 0.5%, based on the debt yield of the assets contributed into ACRC Lender C LLC, one of the Company's wholly owned subsidiaries and the borrower under the Citibank Facility. Since July 12, 2013, amounts outstanding under each individual loan accrue interest at a per annum rate equal to 30 day LIBOR plus a pricing margin of 2.25% to 2.75% over the greater of 30 day LIBOR and 0.5%, based on the debt yield of the assets contributed into ACRC Lender C LLC.

On March 3, 2012, the Company started to incur a non-utilization fee of 25 basis points on the average available balance of the Citibank Facility. For the years ended December 31, 2013 and 2012, the Company incurred a non-utilization fee of $164 thousand and $133 thousand, respectively. The Company extended the funding period that ended on December 8, 2013 for an additional 12 months, subject to payment of an extension fee of $216 thousand. On July 12, 2013, the agreements governing the Citibank Facility were amended, among other things, to change the final repayment date from the latest date on which a payment of principal is contractually obligated to be made in respect of each mortgage loan pledged under the Citibank Facility to the earlier of that date or July 2, 2018. As of December 31, 2013 and 2012, the outstanding balance on the Citibank Facility was $97.5 million and $13.9 million, respectively.

The Citibank Facility contains various affirmative and negative covenants applicable to the Company and certain of the Company's subsidiaries, including the following: (a) maintaining tangible net worth of at least the sum of (1) 80% of the Company's tangible net worth as of May 1, 2012, plus (2) 80% of the total net capital raised in all future equity issuances by the Company, (b) maintaining liquidity in an amount not less than the greater of (1) $5.0 million or (2) 5% of the Company's recourse indebtedness, not to exceed $10.0 million (provided that in the event the Company's total liquidity equals or exceeds $5.0 million, the Company may satisfy the difference between the minimum total liquidity requirement and the Company's total liquidity with available borrowing capacity), (c) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA (net income before net interest expense, income tax expense, depreciation and amortization), as defined, to fixed charges) for the immediately preceding twelve month period ending on the last date of the applicable reporting period to be at least 1.25 to 1.00, and (d) if the Company's average debt yield across the portfolio of

assets that are financed with the Citibank Facility falls below certain thresholds, the Company may be required to repay certain amounts under the Citibank Facility. The Citibank Facility also prohibits the Company from amending the management agreement with its Manager in a material respect without the prior consent of the lender. As of December 31, 2013, the Company was in compliance in all material respects with the terms of the Citibank Facility.

Capital One Facility

On May 18, 2012, the Company entered into a $50.0 million secured revolving funding facility with Capital One, National Association (the "Capital One Facility"), pursuant to which the Company borrows funds to finance qualifying senior commercial mortgage loans, subject to available collateral. On July 26, 2013, the agreements governing the Capital One Facility were amended to, among other things, increase the size of the Capital One Facility from $50.0 million to $100.0 million.

Under the Capital One Facility, the Company borrows funds on a revolving basis in the form of individual loans evidenced by individual notes. Each individual loan is secured by an underlying loan originated by the Company. From May 18, 2012 to July 25, 2013, amounts outstanding under each individual loan accrued interest at a per annum rate equal to the sum of (i) 30 day LIBOR, (ii) plus a pricing margin of 2.50% to 4.00%. Since July 26, 2013, amounts outstanding under each individual loan accrue interest at a per annum rate equal to the sum of (i) 30 day LIBOR, (ii) plus a pricing margin of 2.00% to 3.50%. The Company may request individual loans under the Capital One Facility through and including May 18, 2015, subject to successive 12-month extension options at the lender's discretion. The maturity date of each individual loan is the same as the maturity date of the underlying loan that secures such individual loan. As of December 31, 2012, the outstanding balance on the Capital One Facility was $32.2 million. As of December 31, 2013, there was no outstanding balance under the Capital One Facility. The Company does not incur a non-utilization fee under the terms of the Capital One Facility.

The Capital One Facility contains various affirmative and negative covenants applicable to the Company and certain of the Company's subsidiaries, including the following: (a) maintaining a ratio of debt to tangible net worth of not more than 3.0 to 1, (b) maintaining a tangible net worth of at least the sum of (1) 80% of the Company's tangible net worth as of May 1, 2012, plus (2) 80% of the net proceeds received from all future equity issuances by the Company, and (c) maintaining a fixed charge coverage ratio (expressed as the ratio of EBITDA, as defined, to fixed charges) for the immediately preceding 12 month period ending on the last date of the applicable reporting period to be at least 1.25 to 1. Effective September 27, 2012, the agreements governing the Capital One Facility were amended to provide that the required minimum fixed charge coverage ratio with respect to the Company as guarantor will start to be tested upon the earlier to occur of (a) the calendar quarter ending on June 30, 2013 and (b) the first full calendar quarter following the calendar quarter in which the Company reports "Loans held for investment" in excess of $200.0 million on the Company's quarterly consolidated balance sheet. As of December 31, 2012, the Company reported "Loans held for investment" in excess of $200.0 million. As a result, the Company tested the minimum fixed charge coverage ratio beginning with the three months ended March 31, 2013. As of December 31, 2013, the Company was in compliance in all material respects with the terms of the Capital One Facility.

Warehouse Lines of Credit

ASAP Line of Credit

On August 25, 2009, ACRE Capital entered into a multifamily as soon as pooled ("ASAP") sale agreement with Fannie Mae, which was assumed as part of the Acquisition. As of December 31, 2013, the Fannie Mae ASAP Line of Credit (the "ASAP Line of Credit") had a borrowing capacity of $105.0 million with no expiration date. Fannie Mae advances payment to ACRE Capital in two

separate installments according to the terms as set forth in the ASAP sale agreement. The first installment is considered an advance to ACRE Capital from Fannie Mae and not a sale until the second advance and settlement is made. Installments received by ACRE Capital from Fannie Mae are financed on the ASAP Line of Credit, which charges interest at a floating daily rate of 30-day LIBOR+1.40% with a floor of 1.75% and is secured by the underlying originated loan. As of December 31, 2013, there was no outstanding balance under the ASAP Line of Credit.

BAML Line of Credit

As of December 31, 2013, ACRE Capital maintained a line of credit with Bank of America, N.A. (the "BAML Line of Credit") of $80.0 million with a stated interest rate of Bank of America LIBOR Daily Floating Rate plus 1.60%. The BAML Line of Credit, which was assumed as part of the Acquisition, was amended in January 2014 to extend the maturity date to April 1, 2014. See Note 21 for a subsequent event related to the BAML Line of Credit. For the year ended December 31, 2013, the Company incurred a non-utilization fee of $26 thousand. As of December 31, 2013, there was no outstanding balance under the BAML Line of Credit.

The BAML Line of Credit is collateralized by a first lien on ACRE Capital's interest in the mortgage loans that it originates. Advances from the BAML Line of Credit cannot exceed 100% of the principal amounts of the mortgage loans originated by ACRE Capital and must be repaid at the earlier of the sale or other disposition of the mortgage loans or at the expiration date of the warehouse line of credit. The terms of the BAML Line of Credit require ACRE Capital to comply with various covenants, including a minimum tangible net worth requirement. As of December 31, 2013, ACRE Capital was in compliance in all material respects with the terms of the BAML Line of Credit.

2015 Convertible Notes

On December 19, 2012, the Company issued $69.0 million aggregate principal amount of the 2015 Convertible Notes. Of this aggregate principal amount, $60.5 million aggregate principal amount of the 2015 Convertible Notes was sold to the initial purchasers (including $9.0 million pursuant to the initial purchasers' exercise in full of their overallotment option) and $8.5 million aggregate principal amount of the 2015 Convertible Notes was sold directly to certain directors, officers and affiliates of the Company in a private placement. The 2015 Convertible Notes were issued pursuant to an Indenture, dated December 19, 2012 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. The sale of the 2015 Convertible Notes generated net proceeds of approximately $66.2 million. Aggregate estimated offering expenses in connection with the transaction, including the initial purchasers' discount of approximately $2.1 million, were approximately $2.8 million. As of December 31, 2013 and 2012, the carrying value of the 2015 Convertible Notes was $67.8 million and $67.3 million, respectively.

The 2015 Convertible Notes bear interest at a rate of 7.000% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2013. The estimated effective interest rate of the 2015 Convertible Notes, which is equal to the stated rate of 7.000% plus the accretion of the original issue discount and associated costs, was 9.4% for the years ended December 31, 2013 and 2012. For the years ended December 31, 2013 and 2012, the interest expense incurred on this indebtedness was $6.2 million and $216 thousand, respectively. The 2015 Convertible Notes will mature on December 15, 2015 (the "Maturity Date"), unless previously converted or repurchased in accordance with their terms. The 2015 Convertible Notes are the Company's senior unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 2015 Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value

of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding June 15, 2015, holders may convert their 2015 Convertible Notes only under certain circumstances as set forth in the Indenture. On or after June 15, 2015 until the close of business on the scheduled trading day immediately preceding the Maturity Date, holders may convert their 2015 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of its common stock or a combination of cash and shares of its common stock. The conversion rate is initially 53.6107 shares of common stock per $1,000 principal amount of 2015 Convertible Notes (equivalent to an initial conversion price of approximately $18.65 per share of common stock). The conversion rate will be subject to adjustment in some events, including for regular quarterly dividends in excess of $0.35 per share, but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the Maturity Date, the conversion rate will be increased but will in no event exceed 61.6523 shares of common stock per $1,000 principal amount of 2015 Convertible Notes.

Prior to June 26, 2013, the Company could not elect to issue shares of common stock upon conversion of the 2015 Convertible Notes to the extent such election would result in the issuance of 20% or more of the common stock outstanding immediately prior to the issuance of the 2015 Convertible Notes until the Company received stockholder approval for issuances above this threshold. Until such stockholder approval was obtained, the Company could not share-settle the full conversion option. As a result, the embedded conversion option did not qualify for equity classification and instead was separately valued and accounted for as a derivative liability. The initial value allocated to the derivative liability was $1.7 million, which represented a discount to the debt cost to be amortized through other interest expense using the effective interest method through the maturity of the 2015 Convertible Notes. The effective interest rate used to amortize the debt discount on the 2015 Convertible Notes was 9.4%. During each reporting period, the derivative liability was marked to fair value through earnings.

On June 26, 2013, stockholder approval was obtained for the issuance of shares in excess of 20% of the Company's common stock outstanding to satisfy any conversions of the 2015 Convertible Notes. As a result, the Company has the ability to fully settle in shares the conversion option and the embedded conversion option is no longer required to be separately valued and accounted for as a derivative liability on a prospective basis. As of June 26, 2013, the conversion option's cumulative value of $86 thousand was reclassified to additional paid in capital and will no longer be marked-to-market through earnings. The remaining debt discount of $1.5 million as of June 26, 2013, which arose at the date of debt issuance from the original bifurcation, will continue to be amortized through other interest expense. As of December 31, 2013 and 2012, the derivative liability had a fair value of $0 and $1.8 million, respectively.

The Company does not have the right to redeem the 2015 Convertible Notes prior to the Maturity Date, except to the extent necessary to preserve its qualification as a REIT for U.S. federal income tax purposes. No sinking fund is provided for the 2015 Convertible Notes. In addition, if the Company undergoes certain corporate events that constitute a "fundamental change," the holders of the 2015 Convertible Notes may require the Company to repurchase for cash all or part of their 2015 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2015 Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

At December 31, 2013, approximate principal maturities of the Company's Funding Agreements and the 2015 Convertible Notes are as follows ($ in thousands):

	Wells Fargo Facility	Citibank Facility	Capital One Facility	2015 Convertible Notes	ASAP Line of Credit	BAML Line of Credit	Total
2014	$ 166,934	$ —	$ —	$ —	$ —	$ —	$ 166,934
2015	—	—	—	69,000	—	—	69,000
2016	—	—	—	—	—	—	—
2017	—	97,485	—	—	—	—	97,485
2018	—	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—	—
	$ 166,934	$ 97,485	$ —	$ 69,000	$ —	$ —	$ 333,419

7. ALLOWANCE FOR LOSS SHARING

Loans originated and sold by ACRE Capital to Fannie Mae under the Fannie Mae DUS program are subject to the terms and conditions of a Master Loss Sharing Agreement by ACRE Capital, which was amended and restated during 2012. Under the Master Loss Sharing Agreement, ACRE Capital is responsible for absorbing certain losses incurred by Fannie Mae with respect to loans originated under the DUS program, as described below in more detail.

The losses incurred with respect to individual loans are allocated between ACRE Capital and Fannie Mae based on the loss level designation ("Loss Level") for the particular loan. Loans are designated as Loss Level I, Loss Level II or Loss Level III. All loans are designated Loss Level I unless Fannie Mae and ACRE Capital agree upon a different Loss Level for a particular loan at the time of the loan commitment, or if Fannie Mae determines that the loan was not underwritten, processed or serviced according to Fannie Mae guidelines.

Losses on Loss Level I loans are shared 33.33% by ACRE Capital and 66.67% by Fannie Mae. The maximum amount of ACRE Capital's risk-sharing obligation with respect to any Loss Level I loan is 33.33% of the original principal amount of the loan. Losses incurred in connection with Loss Level II and Loss Level III loans are allocated disproportionately to ACRE Capital until ACRE Capital has absorbed the maximum level of its risk-sharing obligation with respect to the particular loan. The maximum loss allocable to ACRE Capital for Loss Level II loans is 30% of the original principal amount of the loan, and for Loss Level III loans is 40% of the original principal amount of the loan.

According to the Master Loss Sharing Agreement, Fannie Mae may unilaterally increase the amount of the risk-sharing obligation of ACRE Capital with respect to individual loans without regard to a particular Loss Level if (i) the loan does not meet specific underwriting criteria, (ii) loan is defaulted within twelve (12) months after it is purchased by Fannie Mae, or (iii) Fannie Mae determines that there was fraud, material representation or gross negligence by ACRE Capital in its underwriting, closing, delivery or servicing of the loan. Under certain limited circumstances, Fannie Mae may require ACRE Capital to absorb 100% of the losses incurred on a loan by requiring ACRE Capital to repurchase the loan.

The amount of loss incurred on a particular loan is determined at the time the loss is incurred, for example, at the time a property is foreclosed by Fannie Mae (whether acquired by Fannie Mae or a third party) or at the time a loan is modified in connection with a default. Losses may be determined by reference to the price paid by a third party at a foreclosure sale or by reference to an appraisal obtained by Fannie Mae in connection with the default on the loan.

As part of the Acquisition, Alliant, Inc., a Florida corporation, and The Alliant Company, LLC, a Florida limited liability company (the "Sellers"), are jointly and severally obligated to fund directly (if permitted) or to reimburse ACRE Capital for amounts due and owing after the closing date to Fannie Mae pursuant to ACRE Capital's allowance for loss sharing with respect to settlement of certain DUS program mortgage loans originated and serviced by ACRE Capital, subject to certain limitations. In addition, the Sellers are jointly and severally obligated to indemnify ACRE Capital for, among other things, certain losses arising from Sellers' failure to fulfill the funding or reimbursement obligations described above. As of December 31, 2013, the preliminary estimate of the portion of such contributions towards such losses relating to the allowance for loss sharing of ACRE Capital is $1.9 million and is included within other assets in the consolidated balance sheets. Additionally, with respect to the settlement of certain non-designated DUS program mortgage loans originated and serviced by ACRE Capital, the Sellers are jointly and severally obligated to fund directly (if permitted) or to reimburse ACRE Capital in each of the three 12 month periods following the closing date for eighty percent (80%) of amounts due and owing after the closing date to Fannie Mae pursuant to ACRE Capital's allowance for loss sharing in excess of $2.0 million during such 12 month period; provided that in no event shall Sellers obligations exceed in the aggregate $3.0 million for the entire three year period.

ACRE Capital uses several tools to manage its risk-sharing obligation, including maintenance of disciplined underwriting and approval processes and procedures, and periodic review and evaluation of underwriting criteria based on underlying multifamily housing market data and limitation of exposure to particular geographic markets and submarkets and to individual borrowers. In situations where payment under the guaranty is probable and estimable on a specific loan, the Company records an additional liability through a charge to the provision for loss sharing in the consolidated statements of operations. The amount of the provision reflects the Company's assessment of the likelihood of payment by the borrower, the estimated disposition value of the underlying collateral and the level of risk-sharing. Historically, among other factors, the loss recognition occurs at or before the loan becoming 60 days delinquent.

A summary of the Company's allowance for loss sharing for the year ended December 31, 2013 is as follows ($ in thousands):

	For the Year Ended December 31, 2013
Allowance for loss sharing assumed in the ACRE Capital acquisition (See Note 18)	$ 18,386
Current period provision for loss sharing	6
Settlements/Writeoffs	(1,912)
Ending balance	$ 16,480

As of December 31, 2013, the maximum quantifiable allowance for loss sharing associated with the Company's guarantees under the Fannie Mae DUS agreement was $1.3 billion from a total recourse at risk pool of $3.7 billion. Additionally, the non-at risk pool was $5.2 million. The at risk pool is subject to Fannie Mae's Master Loss Sharing Agreement and the non-at risk pool is not subject to such agreement. The maximum quantifiable allowance for loss sharing is not representative of the actual loss the Company would incur. The Company would be liable for this amount only if all of the loans it services for Fannie Mae, for which the Company retains some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

8. COMMITMENTS AND CONTINGENCIES

The Company has various commitments to fund investments in its portfolio, extend credit and sell loans as described below.

As of December 31, 2013 and 2012, the Company had the following commitments to fund various stretch senior and transitional senior mortgage loans, as well as subordinated and mezzanine debt investments:

$ in thousands	As of December 31, 2013	2012
Total commitments	$ 1,191,212	$ 405,695
Less: funded commitments	(1,050,674)	(356,930)
Total unfunded commitments	$ 140,538	$ 48,765

Commitments to extend credit by ACRE Capital are generally agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Occasionally, the commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2013, ACRE Capital had the following commitments to sell and fund loans:

$ in thousands	As of December 31, 2013
Commitments to sell loans	$ 56,115
Commitments to fund loans	$ 51,794

Lease Commitments

ACRE Capital is obligated under a number of operating leases for office spaces with terms ranging from less than one year to more than five years. Rent expense for the year ended December 31, 2013 was $230 thousand.

The following table shows future minimum payments under the Company's operating leases for the year ended December 31, 2013 ($ in thousands):

For the year ended December 31, 2013	
2014	$ 453
2015	234
2016	200
2017	124
2018	89
Thereafter	7
Total	$ 1,107

The Company from time to time may be party to litigation relating to claims arising in the normal course of business. As of December 31, 2013, the Company is not aware of any legal claims that could materially impact its business, financial condition or results of operations.

9. DERIVATIVES

Non-designated Hedges

Derivatives not designated as hedges are derivatives that do not meet the criteria for hedge accounting under GAAP or for which the Company has not elected to designate as hedges. Changes in the fair value of derivatives related to the loan commitments and forward sale commitments are recorded directly in "Gains from mortgage banking activities" and changes in the fair value of the embedded conversion option are included within changes in fair value of derivatives in the consolidated statements of operations.

Loan commitments and forward sale commitments

Through its subsidiary, ACRE Capital, the Company enters into loan commitments with borrowers on loan originations whereby the interest rate on the prospective loan is determined prior to funding. In general, ACRE Capital simultaneously enters into forward sale commitments with investors in order to hedge against the interest rate exposure on loan commitments. The forward sale commitment with the investor locks in an interest rate and price for the sale of the loan. The terms of the loan commitments with the borrower and the forward sale commitment with the investor are matched with the objective of hedging interest rate risk. Loan commitments and forward sale commitments are considered undesignated derivative instruments. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value, with changes in fair value recorded in earnings. Since the date of Acquisition through December 31, 2013, the Company entered into 20 loan commitments and 20 forward sale commitments.

As of December 31, 2013, the Company had 2 loan commitments with a total notional amount of $51.8 million and 5 forward sale commitments with a total notional amount of $56.1 million, with maturities ranging from 24 to 60 days that were not designated as hedges in qualifying hedging relationships.

Right to acquire MSRs

In connection with the Acquisition, the Company assumed the right to acquire the servicing for certain HUD loans at a future date. This right was contingent upon satisfaction of certain conditions, which were all satisfied in the fourth quarter of 2013. Accordingly, the Company will assume servicing of these loans on January 1, 2014. The derivative asset associated with the right to service these loans in 2014 is included within other assets in the consolidated balance sheets.

Embedded conversion option

In connection with the issuance of the 2015 Convertible Notes, the Company could not elect to issue shares of common stock upon conversion of the 2015 Convertible Notes to the extent such election would result in the issuance of 20% or more of the common stock outstanding immediately prior to the issuance of the 2015 Convertible Notes until the Company received stockholder approval for issuances above this threshold. As a result, the embedded conversion option did not qualify for equity classification and instead was separately valued and accounted for as a derivative liability. On June 26, 2013, stockholder approval was obtained for the issuance of shares in excess of 20% of the Company's common stock outstanding to satisfy any conversions of the 2015 Convertible Notes. As a result, the Company had the ability to fully settle in shares the conversion option and the embedded conversion option was no longer required to be separately valued and accounted for as a derivative liability on a prospective basis.

As of December 31, 2012, the Company's derivative liability associated with the issuance of the 2015 Convertible Notes was $1.8 million, which is included within other liabilities in the consolidated

balance sheets. See Note 6 for information on the 2015 Convertible Notes and the derivative liability reclassification.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification within the Company's consolidated balance sheets as of December 31, 2013 and 2012 ($ in thousands):

	As of December 31,			
	2013		2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Loan commitments	Other assets	$ 1,886	—	$ —
Forward sale commitments	Other assets	272	—	—
Right to acquire MSRs	Other assets	1,717	—	—
Forward sale commitments	Other liabilities	(500)	—	—
Embedded conversion option	Other liabilities	—	Other liabilities	(1,825)
Total derivatives not designated as hedging instruments		$ 3,375		$ (1,825)

10. SERIES A CONVERTIBLE PREFERRED STOCK

On February 8, 2012, the Company's board of directors adopted resolutions classifying and designating 600 shares of authorized preferred stock as shares of Series A Convertible Preferred Stock, par value $0.01 per share ("Series A Preferred Stock"). Holders of shares of Series A Preferred Stock were entitled to receive, when and as authorized by the Company's board of directors and declared by us out of funds legally available for that purpose, dividends at the Prevailing Dividend Rate, compounded quarterly. The "Prevailing Dividend Rate" means (a) beginning on the issue date through and including December 31, 2012, 10% per annum, (b) beginning on January 1, 2013 through and including December 31, 2013, 11% per annum, (c) beginning on January 1, 2014 through and including December 31, 2014, 12% per annum, and (d) beginning on January 1, 2015 and thereafter, 13% per annum; provided, however, that the Prevailing Dividend Rate may decrease by certain specified amounts if the Company achieves a certain coverage ratio.

Shares of Series A Preferred Stock were redeemable by the Company at any time, in whole or in part, beginning on September 30, 2012, at the applicable redemption price. Additionally, shares of Series A Preferred Stock were redeemable at the option of the holder upon an IPO, at the applicable redemption price. Holders of shares of the Series A Preferred Stock exercised this redemption in connection with the IPO.

During the year ended December 31, 2012, the Company issued 114.4578 shares of Series A Preferred Stock for an aggregate subscription price of approximately $5.7 million, paid a cash dividend of $102 thousand, and recognized the accretion of $572 thousand for the redemption premium for a total balance of approximately $6.3 million. The redemption price for redeemed shares of Series A Preferred Stock was equal to (i) the sum of (a) the subscription price, (b) any dividends per share added thereto pursuant to the terms of the Series A Preferred Stock and (c) any accrued and unpaid dividends per share plus (ii) an amount equal to a percentage of the subscription price of the Series A Preferred Stock and 10%.

11. STOCKHOLDERS' EQUITY

On May 9, 2013, the Company filed a registration statement on Form S-3 (the "Shelf Registration Statement"), with the SEC in order to permit the Company to offer, from time to time, in one or more offerings or series of offerings up to $1.5 billion of the Company's common stock, preferred stock, debt securities, subscription rights to purchase shares of the Company's common stock, warrants representing rights to purchase shares of the Company's common stock, preferred stock or debt securities, or units. On June 17, 2013, the registration statement was declared effective by the SEC.

On June 21, 2013, the Company priced a public offering of 18,000,000 shares of its common stock at a public offering price of $13.50 per share (the "Offering"), raising gross proceeds of approximately $243.0 million. The Company incurred approximately $8.4 million in offering expenses related to the public offering resulting in net proceeds of $234.6 million. In connection with the Offering, the Company also granted the underwriters an option to purchase up to an additional 2.7 million shares of common stock. On July 9, 2013, the Company sold 601,590 shares of its common stock to the underwriters, pursuant to the underwriters' partial exercise of the option to purchase additional shares. The Company raised approximately $7.7 million in net proceeds from the sale of these additional shares of its common stock, which brought the total net proceeds of the offering to approximately $242.3 million. The Offering was made under the Company's Shelf Registration Statement. The net proceeds from the Offering are being used to invest in target investments, repay indebtedness, fund future funding commitments on existing loans and for other general corporate purposes.

On August 30, 2013, the Company issued 588,235 shares of its common stock in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933 as part of the consideration for the Acquisition. See Note 18 for additional information on the Acquisition.

Equity Incentive Plan

On April 23, 2012, the Company adopted an equity incentive plan (the "2012 Equity Incentive Plan"). Pursuant to the 2012 Equity Incentive Plan, the Company may grant awards consisting of restricted shares of the Company's common stock, restricted stock units and/or other equity-based awards to the Company's outside directors, the Company's Chief Financial Officer, ACREM and other eligible awardees under the plan, subject to an aggregate limitation of 690,000 shares of common stock (7.5% of the issued and outstanding shares of the Company's common stock immediately after giving effect to the issuance of the shares sold in the IPO). Any restricted shares of the Company's common stock and restricted stock units will be accounted for under FASB ASC Topic 718, *Compensation—Stock Compensation* , ("ASC 718") resulting in share-based compensation expense equal to the grant date fair value of the underlying restricted shares of common stock or restricted stock units.

Restricted stock grants generally vest ratably over a one to four year period from the vesting start date. The grantee receives additional compensation for each outstanding restricted stock grant, classified as dividends paid, equal to the per-share dividends received by common shareholders.

The following table details the restricted stock grants awarded as of December 31, 2013.

Grant Date	Vesting Start Date	Shares Granted
May 1, 2012	July 1, 2012	35,135
June 18, 2012	July 1, 2012	7,027
July 9, 2012	October 1, 2012	25,000
June 26, 2013	July 1, 2013	22,526
November 25, 2013	November 25, 2016	30,381
Total		120,069

The following tables summarize the non-vested shares of restricted stock and the vesting schedule of shares of restricted stock for directors, officers and employees as of December 31, 2013.

Schedule of Non-Vested Share and Share Equivalents

	Restricted Stock Grants—Directors	Restricted Stock Grants—Officer	Restricted Stock Grants—Employees	Total
Balance as of December 31, 2012	31,080	23,436	—	54,516
Granted	22,526	—	30,381	52,907
Vested	(25,269)	(6,250)	—	(31,519)
Forfeited	(2,917)	—	—	(2,917)
Balance as of December 31, 2013	25,420	17,186	30,381	72,987

Future Anticipated Vesting Schedule

	Restricted Stock Grants—Directors	Restricted Stock Grants—Officer	Restricted Stock Grants—Employees	Total
2014	18,768	6,250	—	25,018
2015	5,818	6,250	—	12,068
2016	834	4,686	30,381	35,901
2017	—	—	—	—
2018	—	—	—	—
Total	25,420	17,186	30,381	72,987

The following table summarizes the restricted stock compensation expense included in general and administrative expenses, the total fair value of shares vested and the aggregate grant date fair value of the restricted stock granted to the directors, officers and employees of the Company for the years ended December 31, 2013 and 2012 (in thousands):

	For the Year Ended December 31,						
	2013				2012		
	Restricted Stock Grants				Restricted Stock Grants		
	Directors	Officers	Employees	Total	Directors	Officers	Total
Compensation expense included in general and administrative expenses	$ 408	$ 106	$ 10	$ 524	$ 285	$ 53	$ 338
Total fair value of shares vested(1)	366	92	—	458	182	26	208
Weighted average grant date fair value	289	—	398		756	423	

(1) Based on the closing price of the Company's common stock on the NYSE on each vesting date.

As of December 31, 2013 and 2012, the total compensation cost related to non-vested awards not yet recognized totaled $967 thousand and $858 thousand, respectively, and the weighted-average period over which the non-vested awards are expected to be recognized is 2.17 years and 2.57 years, respectively.

12. EARNINGS PER SHARE

The following information sets forth the computations of basic and diluted earnings (loss) per common share for the years ended December 31, 2013, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011:

$ in thousands (except share and per share data)	For the Years Ended December 31, 2013	2012	For the period From September 1, 2011 (Inception) to December 31, 2011
Net income (loss) attributable to common stockholders:	$ 13,766	$ 186	$ (163)
Divided by:			
Basic weighted average shares of common stock outstanding:	18,989,500	6,532,706	19,052
Diluted weighted average shares of common stock outstanding:	19,038,152	6,567,309	19,052
Basic and diluted earnings (loss) per common share:	$ 0.72	$ 0.03	$ (8.56)

The Company has considered the impact of the 2015 Convertible Notes and the restricted shares on diluted earnings per common share. The number of shares of common stock that the 2015 Convertible Notes are convertible into were not included in the computation of diluted net income per common share because the inclusion of those shares would have been anti-dilutive for the years ended December 31, 2013, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011.

13. INCOME TAX

As discussed in Note 1, the Company established a TRS, TRS Holdings, in connection with the Acquisition. In addition, in December 2013, the Company formed ACRC TRS, in order to issue and hold certain loans intended for sale. The TRS' income tax provision consisted of the following for the year ended December 31, 2013 ($ in thousands):

	For the year ended December 31, 2013
Current	$ 115
Deferred	61
Total income tax provision	$ 176

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are presented net by tax jurisdiction and are included within other assets and other liabilities in the consolidated balance sheets, respectively. As of December 31, 2013, the TRS' U.S. tax jurisdiction was in a net deferred tax liability position. The following table presents the U.S. tax jurisdiction and the tax effects of temporary differences on their

respective net deferred tax assets and liabilities ($ in thousands). The TRSs are not currently subject to tax in any foreign tax jurisdictions.

	As of December 31, 2013
Deferred tax assets	
Mortgage servicing rights	$ 749
Other temporary differences	125
Sub-Total—deferred tax assets	874
Deferred tax liability	
Basis difference in assets from acquisition of ACRE Capital	(2,810)
Components of gains from mortgage banking activities	(893)
Amortization of intangible assets	(49)
Net deferred tax liability	$ (2,878)

Based on the TRS' assessment, it is more likely than not that the deferred tax assets will be realized through future taxable income. The TRS' recognizes interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statements of operations. Accrued interest and penalties are included within other liabilities in the consolidated balance sheets.

The following table is a reconciliation of the TRS' effective tax rate to the TRS' statutory U.S. federal income tax rate for the year ended December 31, 2013:

	For the year ended December 31, 2013
Federal statutory rate	35.0%
State income taxes	5.7%
Federal benefit of state tax deduction	(2.0)%
Effective tax rate	38.7%

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows FASB ASC Topic 820-10, *Fair Value Measurement* ("ASC 820-10"), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for a financial instrument in a current sale, which assumes an orderly transaction between market participants on the measurement date. The financial instruments recorded at fair value on a recurring basis in the Company's consolidated financial statements are derivative instruments, MSRs and loans held for sale. ASC 820-10 specifies a hierarchy of valuation techniques based on the inputs used in measuring fair value. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

The three levels of inputs that may be used to measure fair value are as follows:

Level I—Quoted prices in active markets for identical assets or liabilities.

Level II—Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level III—Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used.

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the financial statements, for which it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based upon the application of discount rates to estimated future cash flows using market yields, or other valuation methodologies. Any changes to the valuation methodology will be reviewed by the Company's management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Company anticipates that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may fall within periods of market dislocation, during which price transparency may be reduced.

Financial Instruments reported at fair value

The Company has certain assets and liabilities that are required to be recorded at fair value on a recurring basis in accordance with GAAP. Included in financial instruments reported at fair value in the Company's consolidated financial statements are MSRs, loan commitments, forward sale commitments, loans held for sale and an embedded conversion option related to the Company's 2015 Convertible Notes. The carrying values of cash and cash equivalents, restricted cash, interest receivable and accrued expenses approximate their fair values due to their short-term nature.

The following table summarizes the levels in the fair value hierarchy into which the Company's financial instruments were categorized as of December 31, 2013 and 2012 ($ in thousands):

	Fair Value as of December 31, 2013			
	Level I	Level II	Level III	Total
Loans held for sale	$ —	$ 89,233	$ —	$ 89,233
Mortgage servicing rights	$ —	$ —	59,640	$ 59,640
Derivative assets:				
Loan commitments	$ —	$ —	$ 1,886	$ 1,886
Forward sale commitments	$ —	$ —	$ 272	$ 272
Right to acquire MSRs	$ —	$ —	$ 1,717	$ 1,717
Derivative liabilities:				
Forward sale commitments	$ —	$ —	$ (500)	$ (500)

	Fair Value as of December 31, 2012			
	Level I	Level II	Level III	Total
Embedded conversion option	$ —	$ —	$ (1,825)(1)	$ (1,825)

(1) On June 26, 2013, the Company obtained stockholder approval to issue shares in excess of 20% of total shares outstanding. This permitted the Company to issue, at its option, 100% common stock to settle any conversions of the 2015 Convertible Notes. As a result, the embedded conversion option was no longer separately valued and accounted for as a derivative liability. As of June 26, 2013, the conversion option's cumulative value of $86 thousand was reclassified to additional paid in capital and will no longer be marked-to-market through earnings. See Note 6 for information on the derivative liability reclassification.

There were no transfers between the levels as of December 31, 2013 and 2012. Transfers between levels are recognized based on the fair value of the financial instrument at the beginning of the period.

Loan commitments and forward sale commitments are valued based on a discounted cash flow model that incorporates changes in interest rates during the period. The MSRs and right to acquire

MSRs are valued based on discounted cash flow models that calculate the present value of estimated future net servicing income. The model considers contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. The loans held for sale are valued based on discounted cash flow models that incorporate quoted observable prices from market participants. The embedded conversion option fair value analysis as of December 31, 2012 reflected the contractual terms of the derivative, including the period to maturity, and used observable market-based inputs to the extent available, including interest rate curves, spot and market forward points. The valuation of derivative instruments are determined using widely accepted valuation techniques, including market yield analyses and discounted cash flow analysis on the expected cash flows of each derivative.

The following table summarizes the significant unobservable inputs the Company used to value financial instruments categorized within Level III as of December 31, 2013 ($ in thousands):

			Unobservable Input		
Asset Category	Fair Value	Primary Valuation Technique	Input	Range	Weighted Average
Mortgage servicing rights	$ 59,640	Discounted cash flow	Discount rate	8 – 14%	12%
Loan commitments	$ 1,886	Discounted cash flow	Discount rate	8%	8%
Right to acquire MSRs	$ 1,717	Discounted cash flow	Discount rate	8%	8%
Forward sale commitments	$ (228)	Discounted cash flow	Discount rate	8 – 12%	8%

The following table summarizes the significant unobservable inputs the Company used to value financial instruments categorized within Level III as of December 31, 2012 ($ in thousands):

			Unobservable Input		
Asset Category	Fair Value	Primary Valuation Technique	Input	Range	Weighted Average
Embedded conversion option	$ (1,825)	Option Pricing Model	Volatility	16.4% – 17.4%	16.4%

The table above is not intended to be all-inclusive, but instead is intended to capture the significant unobservable inputs relevant to the Company's determination of fair values.

Changes in market yields, discount rates or EBITDA multiples, each in isolation, may have changed the fair value of the financial instruments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may have resulted in a decrease in the fair value of the financial instruments.

The Company's management is responsible for the Company's fair value valuation policies, processes and procedures related to Level III financial instruments. The management reports to the CFO, who has final authority over the valuation of the Company's Level III financial instruments.

The following table summarizes the change in derivative assets and liabilities classified as Level III related to mortgage banking activities for the year ended December 31, 2013 ($ in thousands):

	As of and for the year ended December 31, 2013
Derivative assets and liabilities acquired in the ACRE Capital acquisition, net (See Note 18)	$ 182
Settlements	(2,098)
Realized gains (losses) recorded in net income(1)	1,916
Unrealized gains (losses) recorded in net income(1)	3,375
Ending balance, as of December 31, 2013	$ 3,375

(1) Realized and unrealized gains (losses) from derivatives are included within gains from mortgage banking activities in the consolidated statements of operations.

The change in the embedded conversion option classified as Level III is as follows for the year ended December 31, 2013 and 2012 ($ in thousands):

	As of and for the year ended December 31,	
	2013	2012
Beginning balance, as of December 31, 2012	$ (1,825)	$ —
Written option sold specific to the convertible debt offering	—	(1,728)
Unrealized gain (loss) on the embedded conversion option	1,739(1)	(97)
Reclassification to additional paid in capital	86	—
Ending balance, as of December 31, 2013	$ —	$ (1,825)

(1) The unrealized gain on the embedded conversion option is included within changes in fair value of derivatives in the consolidated statements of operations for the year ended December 31, 2013. The Company reclassified certain prior quarter and prior year amounts included within other interest expense related to the fair value of the derivative to conform to the Company's presentation for the year ended December 31, 2013. Due to the inherent uncertainty of determining the fair value of derivative liabilities that do not have a readily available market value, the fair value of the Company's embedded conversion option fluctuated from March 31, 2013 to June 26, 2013. Additionally, the fair value of the Company's embedded conversion option may have differed significantly from the values that would have been used had a ready market existed for such derivative liability.

See Note 4 for the changes in MSRs that are classified as Level III.

The following table presents the carrying values and fair values of the Company's financial assets and liabilities recorded at cost as of December 31, 2013 and 2012. Changes in market yields, credit quality and other variables may change the fair value of the Company's assets and liabilities. As of

December 31, 2013 and 2012, the fair value of the Company's financial instruments recorded at cost is as follows ($ in thousands).

	As of December 31,			
	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial instruments not recorded at fair value:				
Loans held for investment	$ 958,495	$ 958,495	$ 353,500	$ 353,500
Financial liabilities:				
Secured funding agreements	$ 264,419	$ 264,419	$ 144,256	$ 144,256
Convertible notes	67,815	67,815	67,289	67,289
Commercial mortgage-backed securitization debt (consolidated VIE)	395,027	395,027	—	—

15. RELATED PARTY TRANSACTIONS

Management Agreements

The Company was party to an interim management agreement with ACREM prior to the IPO. Pursuant to the interim management agreement, ACREM provided investment advisory and management services to the Company on an interim basis until the IPO. For providing these services, ACREM received only reimbursements from the Company for any third party costs that ACREM incurred on behalf of the Company.

On April 25, 2012, in connection with the Company's IPO, the Company entered into a management agreement (the "Management Agreement") with ACREM under which ACREM, subject to the supervision and oversight of the Company's board of directors, will be responsible for, among other duties, (a) performing all of the Company's day-to-day functions, (b) determining the Company's investment strategy and guidelines in conjunction with the Company's board of directors, (c) sourcing, analyzing and executing investments, asset sales and financing and (d) performing portfolio management duties.

In addition, ACREM has an Investment Committee that oversees compliance with the Company's investment strategy and guidelines, investment portfolio holdings and financing strategy.

Effective May 1, 2012, in exchange for its services, ACREM is entitled to receive a base management fee, an incentive fee, expense reimbursements, grants of equity-based awards pursuant to the Company's 2012 Equity Incentive Plan and a termination fee, if applicable, as set forth below.

The base management fee is equal to 1.5% of the Company's stockholders' equity per annum, which is calculated and payable quarterly in arrears in cash. For purposes of calculating the base management fee, stockholders' equity means: (a) the sum of (i) the net proceeds from all issuances of the Company's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (ii) the Company's retained earnings at the end of the most recently completed fiscal quarter determined in accordance with GAAP, (without taking into account any non-cash equity compensation expense incurred in current or prior periods); less (b) (x) any amount that the Company has paid to repurchase the Company's common stock since inception, (y) any unrealized gains and losses and other non-cash items that have impacted stockholders' equity as reported in the Company's consolidated financial statements prepared in accordance with GAAP, and (z) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between ACREM and the Company's independent directors and approval by a majority of the Company's independent directors. As a result, the Company's stockholders' equity, for purposes of calculating the management fee, could

be greater or less than the amount of stockholders' equity shown on the Company's consolidated financial statements.

The incentive fee is an amount, not less than zero, equal to the difference between: (a) the product of (i) 20% and (ii) the difference between (A) the Company's Core Earnings (as defined below) for the previous 12-month period, and (B) the product of (1) the weighted average of the issue price per share of the Company's common stock of all of the Company's public offerings of common stock multiplied by the weighted average number of all shares of common stock outstanding (including any restricted shares of the Company's common stock, restricted units or any shares of the Company's common stock not yet issued, but underlying other awards granted under the Company's 2012 Equity Incentive Plan (See Note 11)) in the previous 12-month period, and (2) 8%; and (b) the sum of any incentive fees earned by ACREM with respect to the first three fiscal quarters of such previous 12-month period; *provided , however ,* that no incentive fee is payable with respect to any fiscal quarter unless cumulative Core Earnings for the 12 most recently completed fiscal quarters is greater than zero. "Core Earnings" is a non-GAAP measure and is defined as GAAP net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), and one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between ACREM and the Company's independent directors and after approval by a majority of the Company's independent directors. For purposes of calculating the incentive fee prior to the completion of a 12-month period following the IPO, Core Earnings will be calculated on the basis of the number of days that the Management Agreement has been in effect on an annualized basis. No incentive fees were earned for the years ended December 31, 2013 and 2012.

The Company reimburses ACREM at cost for operating expenses that ACREM incurs on the Company's behalf, including expenses relating to legal, financial, accounting, servicing, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation other than as noted below with respect to the Servicing Limitation and the Restricted Cost Amendment.

The Company will not reimburse ACREM for the salaries and other compensation of its personnel, except for the allocable share of the salaries and other compensation of the Company's (a) Chief Financial Officer, based on the percentage of his time spent on the Company's affairs and (b) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment professional personnel of ACREM or its affiliates who spend all or a portion of their time managing the Company's affairs based on the percentage of their time spent on the Company's affairs (collectively, "Personnel Expenses"). The Company is also required to pay its pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of ACREM and its affiliates that are required for the Company's operations (collectively, "Overhead Expenses"). The initial term of the Management Agreement will end May 1, 2015, with automatic one-year renewal terms. Except under limited circumstances, upon a termination of the Management Agreement, the Company will pay ACREM a termination fee equal to three times the average annual base management fee and incentive fee received by ACREM during the 24-month period immediately preceding the most recently completed fiscal quarter prior to the date of termination, each as described above.

Certain of the Company's subsidiaries, along with the Company's lenders under the Wells Fargo Facility, the Citibank Facility and certain other facilities have entered into various servicing agreements with ACREM's subsidiary servicer, Ares Commercial Real Estate Servicer LLC ("ACRES"), a Standard & Poor's-rated commercial primary and special servicer that is included on Standard & Poor's Select Servicer List. Effective May 1, 2012, ACRES agreed that no servicing fees pursuant to these servicing agreements would be charged to the Company or its subsidiaries for so long as the Management Agreement remains in effect, but that ACRES will continue to receive reimbursement for overhead related to servicing and operational activities pursuant to the terms of the Management Agreement (the "Servicing Limitation").

Effective as of September 30, 2013, the Company and ACREM entered into an amendment to the Management Agreement (the "Restricted Cost Amendment") whereby ACREM agreed not to seek reimbursement of Restricted Costs (as defined below), in excess of $1.0 million per quarter for the quarterly periods ending on September 30, 2013, December 31, 2013, March 31, 2014 and June 30, 2014. "Restricted Costs" are Personnel Expenses and Overhead Expenses incurred in the ordinary course of the Company's origination business and do not include any Personnel Expenses or Overhead Expenses that were incurred in connection with transactions outside our ordinary course of business, including without limitation, transactions for the acquisition of a portfolio of investments or for the acquisition of another company or its assets and business.

Summarized below are the related-party costs incurred by the Company, including ACRE Capital for the year ended December 31, 2013, 2012 and for the period from September 1, 2011 (Inception) to December 31, 2011 and amounts payable to the Manager as of December 31, 2013 and 2012:

	Incurred			Payable	
	For the years ended December 31,		For the Period From September 1, 2011 (Inception) to December 31, 2011	As of December 31,	
$ in thousands	2013	2012		2013	2012
Affiliate Payments					
Management fees	$ 4,241	$ 1,665	$ —	$ 1,497	$ 621
General and administrative expenses	3,610	1,602	—	1,000	668
Direct third party costs	769	643	827	299	31
Other	—	17	—	—	—
	$ 8,620	$ 3,927	$ 827	$ 2,796	$ 1,320

Ares Investments

On February 8, 2012, the Company entered into a promissory note with Ares Investments Holdings LLC ("Ares Investments"), whereby Ares Investments loaned the Company $2.0 million. The note was repaid with $4 thousand in interest due under the note on March 1, 2012 with the proceeds from the sale of the Series A Preferred Stock.

As of December 31, 2012, Ares Investments owned approximately 2,000,000 shares of the Company's common stock representing approximately 21.6% of the total shares outstanding. As of December 31, 2013, Ares Investments did not own any shares of the Company's common stock. In addition, as of December 31, 2013 and 2012, Ares Investments owned $1.2 million aggregate principal amount of the 2015 Convertible Notes.

Intercompany Note

In connection with the Acquisition, the Company partially capitalized the new TRS, TRS Holdings, with a $44.0 million note. The income statement effects of this obligation are eliminated in consolidation for financial reporting purposes, but the interest income and expense from the note will affect the taxable income of the Company and TRS Holdings.

16. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared during the years ended December 31, 2013 and 2012 ($ in thousands, except per share data):

Date declared	Record date	Payment date	Per share amount	Total amount
For the year ended December 31, 2013				
November 13, 2013	December 31, 2013	January 22, 2014	$ 0.25	$ 7,127
August 7, 2013	September 30, 2013	October 17, 2013	0.25	7,119
May 15, 2013	June 28, 2013	July 18, 2013	0.25	6,822
March 14, 2013	April 8, 2013	April 18, 2013	0.25	2,317
Total cash dividends declared for the year ended December 31, 2013.			$ 1.00	$ 23,385
For the year ended December 31, 2012				
November 7, 2012	December 31, 2012	January 10, 2013	$ 0.25	$ 2,316
September 21, 2012	October 2, 2012	October 11, 2012	0.06	556
June 19, 2012	June 29, 2012	July 12, 2012	0.06	555
March 30, 2012	March 31, 2012	April 2, 2012	0.30	450(1)
Total cash dividends declared for the year ended December 31, 2012.			$ 0.67	$ 3,877

(1) The dividend of $450 was based on 1,500,000 shares or $0.30 per share of common stock outstanding as of March 31, 2012.

17. VARIABLE INTEREST ENTITIES

On November 19, 2013, ACRC 2013-FL1 Depositor LLC (the "Depositor"), a wholly owned subsidiary of the Company entered into a Pooling and Servicing Agreement, dated as of November 1, 2013 (the "Pooling and Servicing Agreement"), with Wells Fargo Bank, National Association, as master servicer ("Wells Fargo"), Ares Commercial Real Estate Servicer LLC, as special servicer ("Ares Servicer"), U.S. Bank National Association, as trustee, certificate administrator, paying agent and custodian, and Trimont Real Estate Advisors, Inc., as trust advisor, in connection with forming ACRE Commercial Mortgage Trust 2013-FL1 (the "Trust"). The Pooling and Servicing Agreement governs the issuance of approximately $493.8 million aggregate principal balance commercial mortgage pass-through certificates (the "Certificates") in a CMBS effected by the Depositor.

In connection with the securitization, the Depositor contributed to the Trust a pool of 18 adjustable rate participation interests (the "Trust Assets") in commercial mortgage loans secured by 27 commercial properties, which loans were originated or co-originated by the Company or its subsidiaries. The Certificates represent, in the aggregate, the entire beneficial ownership interest in, and the obligations of, the Trust.

In connection with the securitization, the Company offered and sold the following classes of certificates: Class A, Class B, Class C and Class D Certificates (collectively, the "Offered Certificates)

to third parties pursuant to an offering made privately in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). As of December 31, 2013, the aggregate principal balance of the Offered Certificates is approximately $395.0 million and the weighted average coupon of the Offered Certificates is LIBOR plus 1.89%. In addition, a wholly owned subsidiary of the Company retained approximately $98.8 million of the Certificates. The total commitments made in connection with the Offered Certificates was approximately $493.8 million principal balance of CMBS Certificates.

The proceeds from the sale of the Offered Certificates, net of expenses, were approximately $389.3 million. The Company used the net proceeds to repay outstanding amounts under its secured funding agreements and to acquire the A-Notes with respect to certain mortgage loans in which the Company held the related B-Notes.

As discussed in Note 2, the Company evaluates all of its investments and other interests in entities for consolidation, including its investments in this CMBS transaction and the Company's retained interests in securitization transactions it initiated, all of which are generally considered to be variable interests in a VIE.

The primary and special servicer is designated to be Ares Servicer, which is a wholly owned subsidiary of Ares Commercial Real Estate Management LLC (the Manager of the Company and thus, a related party of the Company). Ares Servicer has the power to direct activities of the Trust during the loan workout process on defaulted and delinquent loans, which is the activity that most significantly impacts the economic performance of the Trust. Additionally, the Company, as the holder of the subordinated classes of the Trust, has the obligation to absorb losses of the Trust (the Company has a first loss position in the capital structure of the Trust). In addition, there are no substantive kick-out rights of any party to remove the special servicer without cause; however, the Company, as directing holder, has the ability to remove the special servicer without cause. Based on these factors, the Company is determined to be the primary beneficiary of the VIE; thus, the VIE is consolidated into the Company's financial statements.

The VIE consolidated in accordance with FASB ASC Topic 810 is structured as a pass through entity that receives principal and interest on the underlying collateral and distributes those payments to the Certificate holders. The proceeds from the issuance of debt of the consolidated VIE are treated as a financing activity in the consolidated statements of cash flows. The assets and other instruments held by this securitization entity are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the securitization entity do not have any recourse to the general credit of any other consolidated entities, nor to the Company as the primary beneficiary.

The inclusion of the assets and liabilities of VIEs in which the Company is deemed the primary beneficiary has no economic effect on the Company. The Company's exposure to the obligations of VIEs is generally limited to its investment in these entities. The Company is not obligated to provide, nor has it provided, any financial support for any of these consolidated structures. As such, the risk associated with the Company's involvement in these VIEs is limited to the carrying value of its investment in the entity. As of December 31, 2013, the Company's maximum risk of loss was $98.8 million. The Company incurred $423 thousand in deferred financing fees which have been accelerated, as the loans that were transferred to the CMBS trust had unamortized costs associated with the secured funding agreements for which it will no longer receive the benefit. These accelerated deferred financing fees are included within interest expense in the Company's consolidated statements of operations. For the year ended December 31, 2013, the Company incurred interest expense of $972 thousand and is included within interest expense in the Company's consolidated statements of operations.

18. ACQUISITION OF ACRE CAPITAL

On August 30, 2013, (the "Acquisition Date"), the Company completed its acquisition of all of the outstanding common units of ACRE Capital from the Sellers. For accounting purposes, the Acquisition was deemed to be effective on the close of business September 1, 2013, the Accounting Effective Date. Pursuant to the Purchase and Sale Agreement, dated as of May 14, 2013, by and among the Company and the Sellers, the Company paid approximately $53.4 million in cash, subject to adjustment, and issued 588,235 shares of its common stock in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933 resulting in total consideration paid of approximately $60.9 million. The transaction was accounted for as a business combination under FASB ASC 805, as discussed in Note 2.

Through ACRE Capital, the Company operates a mortgage banking business with a focus on multifamily lending. ACRE Capital primarily originates, sells and services multifamily and other senior living-related CRE loans under programs offered by Fannie Mae and HUD. ACRE Capital is approved as a DUS lender to Fannie Mae, a Multifamily Accelerated Processing ("MAP") and Section 232 LEAN lender for HUD, and a Ginnie Mae issuer.

The Company provisionally allocated the purchase price to the assets acquired and liabilities assumed based on their estimated Accounting Effective Date fair values. The purchase price allocation may change as additional information becomes available and additional analyses are completed. A change to the provisional amounts recorded for assets acquired and liabilities assumed during the measurement period affects the amount of the purchase price allocated to gain on acquisition. Such changes to the purchase price allocation during the measurement period are recorded as retrospective adjustments to the consolidated financial statements. During the measurement period, the Company identified adjustments to certain of the provisional amounts recorded that had the net effect of decreasing gain on acquisition by $747 thousand.

The following table summarizes the purchase price allocation recorded as of the Acquisition Date, including retrospective adjustments during the measurement period ($ in thousands):

Assets acquired:	
Cash	$ 1,157
Restricted cash	15,586
Loans held for sale	22,154
Mortgage servicing rights	61,236
Intangible assets	5,000
Derivative assets	182
Risk-sharing indemnification	3,703
Other assets	4,748
Total assets acquired	$ 113,766
Liabilities assumed:	
Warehouse lines of credit	$ 14,472
Allowance for loss sharing	18,386
Accounts payable and accrued expenses	4,748
Other liabilities	10,795(1)
Total liabilitites assumed	$ 48,401
Net Assets Acquired	$ 65,365

(1) Other liabilities includes a $6 million payable incurred in connection with the close of the transaction.

The measurement period adjustments included in the purchase price allocation above were recorded based on information obtained subsequent to the Acquisition Date that related to information that existed as of the Acquisition Date.

The Sellers provided the Company with a minimum working capital balance prior to the Accounting Effective Date. To the extent actual working capital exceeded or fell below the minimum requirement, the Company would either pay or receive funds from the Sellers. Final purchase price allocations are subject to further adjustments under the terms of the Purchase and Sale Agreement, including among other provisions, adjustments to working capital.

Gain on acquisition represents the excess of the fair value of the net assets acquired over the fair value of the consideration transferred. This determination of the gain on acquisition is as follows ($ in thousands):

Fair value of net assets acquired	$ 65,365
Fair value of consideration transferred	(60,927)
Gain on acquisition	$ 4,438

The gain on acquisition of $4.4 million is included within gain on acquisition in the Company's consolidated statements of operations for the year ended December 31, 2013. The Company believes it was able to acquire ACRE Capital at a discount to its fair value as, among other factors, the sale of ACRE Capital was not broadly marketed, ACRE Capital had undergone recent changes in senior management and the purchase price consideration for ACRE Capital, in part, was in the form of a fixed number of common shares of the Company.

Since the Accounting Effective Date, ACRE Capital has recognized revenues of $9.8 million and net income of $1.4 million which are reflected in the Company's consolidated statements of operations. The Company incurred acquisition-related costs such as advisory, legal, and due diligence services of approximately $4.1 million, during the year ended December 31, 2013 which are included within acquisition and investment pursuit costs in the Company's consolidated statements of operations.

The unaudited pro-forma revenue and net income of the combined entity for the years ended December 31, 2013 and 2012, assuming the business combination was consummated on January 1, 2012, are as follows ($ in thousands):

	For the years ended December 31,	
	2013	2012
Revenues	$ 56,050	$ 36,253
Net income	11,414	6,477

19. SEGMENTS

The Company's reportable segments reflect the significant components of the Company's operations that are evaluated separately by the Company's chief operating decision maker and have discrete financial information available. The Company organizes its segments based primarily upon the nature of the underlying products and services. The Company's Co-Chief Executive Officers and management review certain financial information, including segmented internal profit and loss statements, which are presented below on that basis. The amounts in the reportable segments included in the tables below are in conformity with GAAP and the Company's significant accounting policies as described in Note 2.

Prior to the Acquisition, the Company operated in one reportable business segment. As a result of the Acquisition, the Company now operates in two reportable business segments:

- principal lending—includes all business activities of ACRE, excluding the ACRE Capital business, which generally represents investments in real estate related loans and securities that are held for investment.

- mortgage banking—includes all business activities of the acquired ACRE Capital business.

The Company is primarily focused on two business segments involving CRE loans. First, in its principal lending business, the Company originates, invests in, manages and services middle-market CRE loans and other CRE-related investments for its own account. These loans are generally held for investment and are secured, directly or indirectly, by office, multifamily, retail, industrial and other commercial real estate properties, or by ownership interests therein. Second, in its mortgage banking business, conducted through a recently acquired subsidiary, ACRE Capital, the Company originates, sells and retains servicing of primarily multifamily and other senior living-related CRE loans. These loans are generally held for sale.

Allocated costs between the segments include management fees and general and administrative expenses payable to the Company's Manager, both of which represent shared costs. Each allocation is measured differently based on the specific facts and circumstances of the costs being allocated. As the Company integrates ACRE Capital into its existing business, the Company expects future allocations to include costs relating to services performed by one segment on behalf of other segments.

The table below presents the Company's total assets as of December 31, 2013 by business segment ($ in thousands):

	Principal Lending	Mortgage Banking	Total
Cash and cash equivalents	$ 14,444	$ 5,656	$ 20,100
Restricted cash	3,036	13,918	16,954
Loans held for investment	958,495	—	958,495
Loans held for sale, at fair value	84,769	4,464	89,233
Mortgage servicing rights	—	59,640	59,640
Other assets	16,632	15,861	32,493
Total Assets	$ 1,077,376	$ 99,539	$ 1,176,915

The table below presents the Company's consolidated net income for the year ended December 31, 2013 by business segment ($ in thousands):

	Principal Lending	Mortgage Banking	Total
Net interest margin:			
Interest income from loans held for investment	$ 37,600	$ —	$ 37,600
Interest expense	(8,774)	—	$ (8,774)
Net interest margin	28,826	—	28,826
Mortgage banking revenue:			
Servicing fees, net	—	5,802	5,802
Gains from mortgage banking activities	—	5,328	5,328
Provision for loss sharing	—	(6)	(6)
Change in fair value of mortgage servicing rights	—	(2,697)	(2,697)
Mortgage banking revenue	—	8,427	8,427
Other income	—	1,333	1,333
Total revenue	28,826	9,760	38,586
Expenses:			
Other interest expense	6,199	357(1)	6,556
Management fees to affiliate	4,125	116	4,241
Professional fees	2,447	477	2,924
Compensation and benefits	—	5,456	5,456
Acquisition and investment pursuit costs	4,079	—	4,079
General and administrative expenses	2,430	1,525	3,955
General and administrative expenses reimbursed to affiliate	3,394	216	3,610
Total expenses	22,674	8,147	30,821
Changes in fair value of derivatives	1,739	—	1,739
Income from operations before gain on acquisition and income taxes	7,891	1,613	9,504
Gain on acquisition	4,438	—	4,438
Income before income taxes	12,329	1,613	13,942
Income tax expense	—	176	176
Net income	$ 12,329	$ 1,437	$ 13,766

(1) Other interest expense does not include interest expense related to the intercompany note between TRS Holdings (as borrower) and the Company (as lender) as described in Note 15. If interest expense related to the intercompany note were included, other interest expense and net income would have been $1.6 million and $244 thousand, respectively, for Mortgage Banking.

Revenues from three of the Company's customers in the principal lending segment represented approximately $15.0 million of the Company's consolidated revenues for the year ended December 31, 2013. No revenues from a single customer represented 10% or more of the Company's consolidated revenues for the year ended December 31, 2012.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the Company's quarterly financial results for each quarter of the years ended December 31, 2013, 2012 and the period from September 1, 2011 (Inception) to December 31, 2011 (amounts in thousands, except per share data):

	For the Three-Month Period Ended			
	March 31	June 30	September 30	December 31
2013:				
Net interest margin	$ 5,326	$ 6,207	$ 8,700	$ 8,593
Mortgage banking revenue	$ —	$ —	$ 3,861(1)	$ 4,566
Net income	$ 327	$ 3,265	$ 6,884(2)	$ 3,290
Net income allocable to common stockholder	$ 327	$ 3,265	$ 6,884(2)	$ 3,290
Net income per common share—Basic and diluted	$ 0.04	$ 0.32	$ 0.25(2)	$ 0.12
2012:				
Net interest margin	$ 610	$ 1,206	$ 1,491	$ 3,629
Net income (loss)	$ 508	$ (175)	$ (554)	$ 1,081
Net income (loss) allocable to common stockholder	$ (116)	$ (225)	$ (554)	$ 1,081
Net income per common share—Basic and diluted	$ (0.11)	$ (0.03)	$ (0.06)	$ 0.12

(1) Mortgage banking revenue has been adjusted from the previously filed Form 10-Q as of September 30, 2013 to reflect a $516 thousand reclass between gains from mortgage banking activities and compensation and benefits.

(2) Net income and net income per common share have been adjusted from the previously filed Form 10-Q as of September 30, 2013 to reflect adjustments made during the measurement period to provisional amounts recognized at the Acquisition date.

21. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-K or would be required to be recognized in the consolidated financial statements as of and for the year ended December 31, 2013, except as disclosed below.

On January 22, 2014, the Company originated a $11.7 million transitional first mortgage loan on an apartment complex located in Ft. Myers, Florida. At closing, the outstanding principal balance was approximately $9.7 million. The loan has an interest rate of LIBOR + 3.80% subject to a 0.25% LIBOR floor and a term of three years.

On January 22, 2014, the Company originated a $15.0 million transitional first mortgage loan on an apartment complex located in Ft. Myers, Florida. At closing, the outstanding principal balance was approximately $12.4 million. The loan has an interest rate of LIBOR + 3.80% subject to a 0.25% LIBOR floor and a term of three years.

On January 31, 2014, the agreement governing the BAML Line of Credit was amended to extend the maturity date to April 1, 2014.

On February 20, 2014, the Company originated a $36.8 million transitional first mortgage loan on an apartment complex located in Orlando, Florida. At closing, the outstanding principal balance was approximately $33.2 million. The loan has an interest rate of LIBOR + 3.75% subject to a 0.25% LIBOR floor and a term of three years.

On March 12, 2014, the Company, through a wholly owned subsidiary, closed a $50 million secured revolving funding facility with City National Bank (the "CNB Facility"). The CNB Facility will be used to finance new investments and for other working capital and general corporate needs. Draws from the CNB Facility may be used as capital to allow us to obtain additional leverage under the Company's other funding facilities. The interest rate on the CNB Facility is LIBOR plus 3.0% or a base rate plus 1.25%, in each case, subject to a 3.0% all-in rate floor. The initial maturity date is March 11, 2016 subject to one 12 month extension option if certain conditions are met.

On March 14, 2014, the Company originated a $17.0 million transitional first mortgage loan on an apartment complex located in Charlotte, North Carolina. At closing, the outstanding principal balance was approximately $14.3 million. The loan has an interest rate of LIBOR + 4.00% subject to a 0.25% LIBOR floor and a term of three years.

On March 17, 2014, the Company declared a cash dividend of $0.25 per common share for the first quarter of 2014. The first quarter 2014 dividend is payable on April 16, 2014 to common stockholders of record as of March 31, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, *thereunto* duly authorized.

ARES COMMERCIAL REAL ESTATE CORPORATION

Dated: March 17, 2014

By: /s/ JOHN B. BARTLING, JR.

John B. Bartling, Jr.
Co-Chief Executive Officer (Principal Executive Officer) and Director

By: /s/ TODD S. SCHUSTER

Todd S. Schuster
Co-Chief Executive Officer (Principal Executive Officer), President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ JOHN B. BARTLING, JR.

John B. Bartling, Jr.
Co-Chief Executive Officer (Principal Executive Officer) and Director

Dated: March 17, 2014

By: /s/ TODD S. SCHUSTER

Todd S. Schuster
Co-Chief Executive Officer (Principal Executive Officer), President and Director

Dated: March 17, 2014

By: /s/ TAE-SIK YOON

Tae-Sik Yoon
Chief Financial Officer (Principal Financial and Accounting Officer)

Dated: March 17, 2014

By: /s/ MICHAEL J. AROUGHETI

Michael J. Arougheti
Director

Dated: March 17, 2014

By: /s/ JOHN HOPE BRYANT

John Hope Bryant
Director

Dated: March 17, 2014

By: /s/ MICHAEL H. DIAMOND

Michael H. Diamond
Director

Dated: March 17, 2014

By: /s/ JEFFREY T. HINSON

Jeffrey T. Hinson
Director

Dated: March 17, 2014

By: /s/ PAUL G. JOUBERT

Paul G. Joubert
Director

Dated: March 17, 2014

By: /s/ ROBERT L. ROSEN

Robert L. Rosen
Director

Dated: March 17, 2014

By: /s/ BRETT WHITE

Brett White
Director

Dated: March 17, 2014

Exhibit 10.10

Execution Copy

AMENDMENT NO. 3 TO MASTER REPURCHASE AND SECURITIES CONTRACT

AMENDMENT NO. 3 TO MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of November 8, 2013 (this " Amendment "), between ACRC LENDER W LLC, a Delaware limited liability company (" Seller "), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (" Buyer "). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Master Repurchase and Securities Contract, dated as of December 14, 2011 (as amended by Buyer, Seller and Guarantor pursuant to Amendment No. 1 to Master Repurchase and Securities Contract dated as of May 22, 2012 (" Amendment No. 1 "), and as amended by Buyer and Seller pursuant to Amendment No. 2 to Master Repurchase and Securities Contract dated as of June 27, 2013 (" Amendment No. 2 "), and as amended, restated, supplemented or otherwise modified and in effect from time to time, the " Repurchase Agreement "); and

WHEREAS, Seller and Buyer have agreed to further amend certain provisions of the Repurchase Agreement in the manner set forth herein.

Therefore, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer each hereby agree as follows:

SECTION 1. Amendments to Repurchase Agreement .

(a) The defined terms " Future Funding Amount ", " Future Funding Date ", " Future Funding Request Package ", and " Future Funding Transaction ", as set forth in Article 2 of the Repurchase Agreement, are hereby amended and restated in their entirety to read as follows:

" Future Funding Amount ": With respect to any Purchased Asset for which a Future Funding Transaction has been requested by Seller and approved by Buyer pursuant to Section 3.11 , the product of (a) the amount that Seller is funding as a post-closing advance on the related Future Funding Date as required by the Underlying Loan Documents relating to such Purchased Asset, provided, in no event shall the aggregate amount so requested by Seller exceed the amount of future funding set forth on the related Confirmation for the initial Transaction relating to such Purchased Asset, minus all previous Future Funding Amounts funded by Buyer relating to such Purchased Asset, and (b) the Applicable Percentage for such Purchased Asset.

" Future Funding Date ": With respect to any Purchased Asset for which a Future Funding Transaction has been requested by Seller and approved by Buyer,

the date on which Seller is required to fund a Future Funding Amount pursuant to the Underlying Loan Documents relating to such Purchased Asset.

" Future Funding Request Package ": With respect to one or more Future Funding Transactions, the following, to the extent applicable and available, unless any such items were previously delivered to Buyer and have not been modified since the date of each such delivery: (a) the related request for advance, executed by the related Underlying Obligor (which shall include evidence of Seller's approval of the related Future Funding Transaction); (b) the related affidavit executed by the related Underlying Obligor; (c) the executed escrow agreement, if funding through escrow; (d) copies of all relevant trade contracts; (e) the title policy endorsement for the advance; (f) copies of any tenant leases; (g) copies of any service contracts; (h) updated financial statements, operating statements and rent rolls; (i) evidence of required insurance; (j) updates to the engineering report, if required pursuant to the related Underlying Loan Documents; and (k) copies of any additional documentation as required in connection therewith pursuant to the related Underlying Loan Documents.

" Future Funding Transaction ": Any Transaction approved by Buyer pursuant to Section 3.11 where the funded amounts are to be applied for the funding of a post-closing advance with respect to either (a) any Securitized Purchased Asset, or (b) any Non-Securitized Purchased Asset, but only to the extent identified by Seller and approved by Buyer in the related Confirmation as a Purchased Asset for which Future Funding Transactions are permitted.

(b) The initial, introductory paragraph of the definition of " Material Modification ", as set forth in Article 2 of the Repurchase Agreement, is hereby amended and restated in its entirety to read as follows:

" Material Modification ": Any material extension, amendment, waiver, termination, rescission, cancellation, release or other modification to the terms of, or any collateral, guaranty or indemnity for, or any other action, direction or decision that could adversely affect the value or collectability of any amounts due with respect to the Purchased Assets, as determined by Buyer. Notwithstanding the foregoing, so long as no Material Facility Default or Event of Default has occurred, Seller (or Servicer, on its behalf) shall have the right without the consent of Buyer in each instance to enter into any amendment, deferral, extension, modification, increase, decrease, renewal, replacement, consolidation, supplement or waiver of, or to exercise any rights of a holder under (collectively, a "Loan Modification"), the Mortgage Loan Documents and such Loan Modification shall not constitute a Material Modification provided that either (I) if the related Loan Modification is being made in connection with a Securitized Purchased Asset, such Loan Modification satisfies all of the applicable terms, conditions and requirements which are set forth in the related participation agreement (it being understood, for the avoidance of doubt, that modifications to any such participation agreement are expressly prohibited under Section 8.03), or (II) the same does not:

(c) The following, new defined terms are hereby added to Article 2 of the Repurchase Agreement in correct alphabetical order: " Securitized Purchased Asset " and " Non-Securitized Purchased Asset ".

" Securitized Purchased Asset ": Any Purchased Asset described on Schedule 4 hereto.

" Non-Securitized Purchased Asset ": Any Purchased Asset other than those described on Schedule 4 hereto.

(d) Section 3.11 of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 3.11 Future Funding Transactions . Buyer's agreement to enter into any Future Funding Transaction is subject to the satisfaction of the following conditions precedent, both immediately prior to entering into such Future Funding Transaction and also after giving effect to the consummation thereof:

(i) Seller shall give Buyer written notice of each Future Funding Transaction, together with a signed, written confirmation in the form of Exhibit J attached hereto prior to the related Future Funding Date (each, a " Future Funding Confirmation "), signed by a Responsible Officer of Seller. Each Future Funding Confirmation shall identify the related Whole Loan and/or Senior Interest, shall identify Buyer and Seller and shall be executed by both Buyer and Seller; provided , however , that Buyer shall not be liable to Seller if it inadvertently acts on a Future Funding Confirmation that has not been signed by a Responsible Officer of Seller. Each Future Funding Confirmation, together with this Agreement, shall be conclusive evidence of the terms of the Future Funding Transaction covered thereby, and shall be construed to be cumulative to the extent possible. If terms in a Future Funding Confirmation are inconsistent with terms in this Agreement with respect to a particular Future Funding Transaction, other than with respect to the Applicable Percentage and Maximum Applicable Percentage set forth in such Future Funding Confirmation, this Agreement shall prevail.

(ii) For each proposed Future Funding Transaction, no less than seven (7) Business Days prior to the proposed Future Funding Date, Seller shall deliver to Buyer a Future Funding Request Package. Buyer shall have the right to conduct an additional due diligence investigation of the Future Funding Request Package and/or the related Whole Loan and/or Senior Interest as Buyer determines. Prior to the approval of each proposed Future Funding Transaction by Buyer, Buyer shall have determined, in its sole and absolute discretion, that all of the applicable conditions precedent for a Transaction, as described in Section 6.02(b), (e), (f) and (h) have been met by Seller and that the consummation of the

related Future Funding Transaction would not otherwise cause Seller to breach the Minimum Portfolio Debt Yield Test. In addition thereto, for each proposed Future Funding Transaction which relates to a Non-Securitized Purchased Asset, the related Non-Securitized Purchased Asset shall, immediately before each Future Funding Transaction and immediately after giving effect thereto, satisfy both the Debt Yield Test and the PPV Test. So long as all such conditions have been satisfied, no Default or Event of Default then-currently exist and Buyer has determined, in its sole and absolute discretion, that, if Buyer has not purchased from Seller a complete ownership interest in the entire related Whole Loan, that all of the terms and conditions relating to the splitting of such Whole Loan into multiple interests are satisfactory to Buyer in all respects, then Buyer shall be required to approve the related Future Funding Transaction on a timely basis.

(iii) Upon the approval by Buyer of a particular Future Funding Transaction, Buyer shall deliver to Seller a signed copy of the related Future Funding Confirmation described in clause (i) above, on or before the related Future Funding Date. On the related Future Funding Date, which shall occur no later than three (3) Business Days after the final approval of the Future Funding Transaction by Buyer (a) if an escrow agreement has been established in connection with such Future Funding Transaction, Buyer shall remit the related Future Funding Amount to the related escrow account, (b) if the terms of the Underlying Loan Documents provide for a reserve account in connection with future advances, Buyer shall remit the related Future Funding Amount to the applicable reserve account, (c) if Seller has previously paid to the related Underlying Obligor the entire amount that Seller was then-currently required to pay to such Underlying Obligor, then Buyer shall remit the related Future Funding Amount directly to Seller, and (d) otherwise, Buyer shall remit the related Future Funding Amount directly to the related Underlying Obligor.

(e) The fifth full sentence of Section 8.03 of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

Seller shall not, or permit Interim Servicer to, make any Material Modification to any Purchased Asset, Senior Interest Document or Mortgage Loan Document, or to amend any participation agreement executed in connection with any Securitized Purchased Asset.

(f) Exhibit J to the Repurchase Agreement is hereby amended, restated and replaced in its entirety with the attached Exhibit J hereto.

SECTION 2. Conditions Precedent . This Amendment and its provisions shall become effective on the first date on which this Amendment is executed and delivered by a duly authorized officer of each of Seller and Buyer (the " Amendment Effective Date ").

SECTION 3. **Representations, Warranties and Covenants.** Seller hereby represents and warrants to Buyer, as of the date hereof and as of the Amendment Effective Date, that (i) Seller is in compliance in all material respects with all of the terms and provisions set forth in each Repurchase Document to which it is a party on its part to be observed or performed, and (ii) no Default or Event of Default has occurred or is continuing. Seller hereby confirms and reaffirms its representations, warranties and covenants contained in the Repurchase Agreement, except that Seller has changed its location in the past twelve (12) months.

SECTION 4. **Acknowledgement.** Seller hereby acknowledges that Buyer is in compliance with its undertakings and obligations under the Repurchase Agreement and the other Repurchase Documents.

SECTION 5. **Limited Effect.** Except as expressly amended and modified by this Amendment, Amendment No. 2 to the Guarantee Agreement by and between Seller and Guarantor dated as of June 27, 2013, Amendment No. 1 to the Fee Letter by and between Seller and Buyer dated as of June 27, 2013, Amendment No. 1 and Amendment No. 2, the Repurchase Agreement, the Fee Letter, and each of the other Repurchase Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the Amendment Effective Date, (w) each reference therein and herein to the "Repurchase Documents" shall be deemed to include, in any event, this Amendment, (x) each reference to the "Repurchase Agreement" in any of the Repurchase Documents shall be deemed to be a reference to the Repurchase Agreement as amended hereby, and as previously amended by Amendment No. 1 and Amendment No. 2, (y) each reference to the "Fee Letter" in any of the Repurchase Documents shall be deemed to be a reference to the Fee Letter as amended by Amendment No. 1 to the Fee Letter, and (z) each reference in the Repurchase Agreement to "this Agreement", this "Repurchase Agreement", "hereof", "herein" or words of similar effect in referring to the Repurchase Agreement shall be deemed to be references to the Repurchase Agreement as amended by this Amendment.

SECTION 6. **Counterparts.** This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

SECTION 7. **Expenses.** Seller agrees to pay and reimburse Buyer for all out-of-pocket costs and expenses incurred by Buyer in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of Cadwalader, Wickersham & Taft LLP, counsel to Buyer.

SECTION 8. **GOVERNING LAW.**

THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO OR IN CONNECTION WITH THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES WILL BE

GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

SELLER

ACRC LENDER W LLC, a Delaware limited liability company

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

BUYER

WELLS FARGO BANK, N.A., a national banking association

By: /s/ John Nelson
Name: John Nelson
Title: Managing Director

EXHIBIT J

FORM OF FUTURE FUNDING CONFIRMATION

[ ] [ ], 20[ ]

Wells Fargo Bank, N.A.
One Wells Fargo Center
301 South College Street
MAC D1053-125, 12th Floor
Charlotte, North Carolina 28202

Attention: Karen Whittlesey

Re: Master Repurchase and Securities Contract dated as of December 14, 2011, (the " Agreement ") between ACRC Lender W LLC (" Seller ") and Wells Fargo Bank, N.A. (" Buyer ")

Ladies and Gentlemen:

This is a Future Funding Confirmation (as this and other terms used but not defined herein are defined in the Agreement) executed and delivered by Seller and Buyer pursuant to Section 3.11 of the Agreement. Seller and Buyer hereby confirm and agree that as of the Future Funding Date and upon the other terms specified below, shall advance funds to Seller, or at the request of Seller, to the borrower identified below related to the Purchased Assets listed identified below.

Related Purchased Asset:		
Market Value: (1)	$	
Applicable Percentage: (2)	%	
Maximum Applicable Percentage:	%	
Mortgage Loan Documents:	As described in Appendix 1 hereto	
Future Funding Date:	[ ] [ ], 20[ ]	
Purchase Price:	$	(1) x (2)
Pricing Margin:		
Seller Current Loan Amount:	$	

Current Approved Future Funding Amount: $

Seller's Remaining Future Funding Amount: $

Seller hereby certifies as follows, on and as of the above Future Funding Date with respect to the Purchased Asset described in this Confirmation:

1. All of the conditions precedent in Section 3.11 of the Agreement have been satisfied.

2. Seller will make all of the representations and warranties contained in the Agreement (including Schedule 1 to the Agreement as applicable to the Class of such Asset) that it can make with respect to such Asset and specifying on the attached Exhibit 1 of their Future Funding Confirmation which representations and warranties Seller will be unable to make with respect to such Asset.

Seller :

ACRC LENDER W LLC

By: _____
Name:
Title:

Buyer :

Acknowledged and Agreed:

Wells Fargo Bank, N.A.
By: _____
Name: _____
Title: _____

Exhibit 10.11

Execution Copy

AMENDED AND RESTATED
MASTER REPURCHASE AND SECURITIES CONTRACT

ACRC LENDER W LLC

and

ACRC LENDER W TRS LLC

as Sellers

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Buyer

Dated as of December 20, 2013

TABLE OF CONTENTS

	Page
ARTICLE 1 APPLICABILITY	1
ARTICLE 2 DEFINITIONS AND INTERPRETATION	1
ARTICLE 3 THE TRANSACTIONS	39
ARTICLE 4 MARGIN MAINTENANCE	44
ARTICLE 5 APPLICATION OF INCOME	46
ARTICLE 6 CONDITIONS PRECEDENT	48
ARTICLE 7 REPRESENTATIONS AND WARRANTIES OF SELLERS	51
ARTICLE 8 COVENANTS OF SELLERS	56
ARTICLE 9 SINGLE-PURPOSE ENTITY	61
ARTICLE 10 EVENTS OF DEFAULT AND REMEDIES	63
ARTICLE 11 SECURITY INTEREST	67
ARTICLE 12 INCREASED COSTS; CAPITAL ADEQUACY	69
ARTICLE 13 INDEMNITY AND EXPENSES	72
ARTICLE 14 INTENT	75
ARTICLE 15 DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS	76
ARTICLE 16 NO RELIANCE	77
ARTICLE 17 SERVICING	78
ARTICLE 18 MISCELLANEOUS	80

Schedule 1 Representations and Warranties
Schedule 2 General Repo Account
Schedule 3 Appraisal Procedure

THIS AMENDED AND RESTATED MASTER REPURCHASE AND SECURITIES CONTRACT , dated as of December 20, 2013 (this " Agreement "), is made by and among **ACRC LENDER W LLC** , a Delaware limited liability company (" Existing Seller "), and **ACRC LENDER W TRS LLC** , a Delaware limited liability company (" New Seller ", and together with the Existing Seller, individually and collectively as the context may require, " Seller "), and **WELLS FARGO BANK, NATIONAL ASSOCIATION** , a national banking association (as more specifically defined below, " Buyer ").

WHEREAS, Existing Seller and Buyer entered into that certain Master Repurchase and Securities Contract, dated as of December 14, 2011 (the " Original Closing Date ") (as amended by (a) Amendment No. 1 to Master Repurchase and Securities Contract, dated as of May 22, 2012, (b) Amendment No. 2 to Master Repurchase and Securities Contract, dated as of June 27, 2013, and (c) Amendment No. 3 to Master Repurchase and Securities Contract, dated as of November 8, 2013, the " Original Repurchase Agreement ").

WHEREAS, Existing Seller and Buyer desire to amend and restate the Original Repurchase Agreement so as to join New Seller as an additional Seller, jointly and severally with Existing Seller under this Agreement.

NOW, THEREFORE, Sellers and Buyer (each a " Party ") hereby agree as follows:

ARTICLE 1

APPLICABILITY

Section 1.01 Applicability . Subject to the terms and conditions of the Repurchase Documents, from time to time during the Funding Period and at the request of a Seller, the Parties may enter into transactions in which a Seller agrees to sell, transfer and assign to Buyer certain Assets and all related rights in and interests related to such Assets on a servicing released basis, against the transfer of funds by Buyer representing the Purchase Price for such Assets, with a simultaneous agreement by Buyer to transfer to the related Seller and such Seller to repurchase such Assets in a repurchase transaction at a date not later than the Facility Termination Date, against the transfer of funds by such Seller representing the Repurchase Price for such Assets.

ARTICLE 2

DEFINITIONS AND INTERPRETATION

" Accelerated Repurchase Date ": Defined in Section 10.02 .

" Accepted Servicing Practices ": With respect to any Purchased Asset, the commercial mortgage servicing practices of prudent financial or mortgage lending institutions that service assets of the same Class as such Purchased Asset in the jurisdiction where the related Underlying Mortgaged Property is located.

" Account Control Agreement ": A bank account control agreement in favor of Buyer with respect to any bank account related to a Purchased Asset, in form and substance of the attached Exhibit G hereto.

" Actual Knowledge ": With respect to any Person, the actual knowledge of such Person without further inquiry or investigation; provided, that for the avoidance of doubt, such actual knowledge shall include the knowledge of such Person and each of its employees, officers, directors and agents.

" Affiliate ": With respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with, such Person.

" Affiliated Hedge Counterparty ": Buyer, or an Affiliate of Buyer, in its capacity as a party to any Interest Rate Protection Agreement with either Seller.

" Alternative Rate ": A per annum rate based on an index approximating the behavior of LIBOR, as determined by Buyer.

" Anti—Terrorism Laws ": Any Requirements of Law relating to money laundering or terrorism, including Executive Order 13224 signed into law on September 23, 2001, the regulations promulgated by the Office of Foreign Assets Control of the Treasury Department, and the Patriot Act.

" Applicable Percentage ": The meaning set forth in the Fee Letter, which definition is incorporated herein by reference.

" Appraisal ": A FIRREA-compliant appraisal addressed to and reasonably satisfactory to Buyer of the related Underlying Mortgaged Property from an Independent Appraiser.

" Approved Representation Exception ": Any Representation Exceptions furnished by the applicable Seller to Buyer and approved by Buyer in its discretion prior to the related Purchase Date.

" Asset ": Any Whole Loan, Senior Interest or Mezzanine Loan, the Underlying Mortgaged Property for which is included in the categories for Types of Mortgaged Property, but excluding any real property acquired by the related Seller through foreclosure or deed in lieu of foreclosure, distressed debt or any Equity Interest issued by a special purpose entity organized to issue collateralized debt or loan obligations.

" Bailee ": With respect to any Transaction involving a Wet Mortgage Asset, (i) a national title insurance company or nationally-recognized real estate counsel acceptable to Buyer or (ii) any other entity approved by Buyer, in its sole discretion, which may be a title company, escrow company or attorney in accordance with local law and practice in the appropriate jurisdiction of the related Wet Mortgage Asset.

" Bailee Agreement ": The meaning set forth in the Custodial Agreement, which definition is incorporated by reference herein.

" Bankruptcy Code ": Title 11 of the United States Code, as amended.

" Blank Assignment Documents ": Defined in Section 6.02(j) .

" Book Value ": For each Purchased Asset as of any date, an amount, as certified by the related Seller in the related Confirmation, equal to the lesser of (a) the outstanding principal amount or par value thereof as of such date, and (b) the price that such Seller initially paid or advanced in respect thereof plus any additional amounts advanced by such Seller minus Principal Payments received by such Seller and as further reduced by losses realized and write-downs taken by such Seller.

" Business Day ": Any day other than (a) a Saturday or a Sunday, (b) a day on which banks in the States of New York, Minnesota, California, Illinois or North Carolina are authorized or obligated by law or executive order to be closed, (c) any day on which the New York Stock Exchange, the Federal Reserve Bank of New York or the Custodian is authorized or obligated by law or executive order to be closed, or (d) if the term "Business Day" is used in connection with the determination of LIBOR, a day dealings in Dollar deposits are not carried on in the London interbank market.

" Buyer ": Wells Fargo Bank, National Association, in its capacity as Buyer under this Agreement and the other Repurchase Documents, and also in its capacity as counterparty to any Interest Rate Protection Agreement.

" Capital Lease Obligations ": With respect to any Person, the amount of all obligations of such Person to pay rent or other amounts under a lease of property to the extent and in the amount that such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person.

" Capital Stock ": Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent equity ownership interests in a Person which is not a corporation, including, without limitation, any and all member or other equivalent interests (certificated or uncertificated) in any limited liability company, and any and all partnership or other equivalent interests in any partnership or limited partnership, and any and all warrants or options to purchase any of the foregoing.

" Change of Control ": The occurrence of any of the following events: (a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a percentage of the total voting power of all classes of Capital Stock of Guarantor entitled to vote generally in the election of directors, of thirty-five percent (35%) or more; (b) Guarantor shall cease to own and control, of record and beneficially, directly or indirectly one-hundred percent (100%) of the outstanding Capital Stock of either Seller, or (c) Manager shall cease to be one-hundred percent (100%) owned and controlled, of record and beneficially, by Ares Management LLC or one or more of its Affiliates.

" Class ": With respect to an Asset, such Asset's classification as one of the following: Whole Loan, Senior Interest or Mezzanine Loan.

" Closing Certificate ": A true and correct certificate in the form of Exhibit D , executed by a Responsible Officer of the applicable Seller.

" Closing Date ": December 20, 2013.

" Code ": The Internal Revenue Code of 1986, and the regulations promulgated and rulings issued thereunder, in each case as amended, modified or replaced from time to time.

" Collection Account ": Any account established by Interim Servicer in connection with the servicing of any Asset or Purchased Asset.

" Compliance Certificate ": A true and correct certificate in the form of Exhibit E , executed by a Responsible Officer of the applicable Seller.

" Confirmation ": A purchase confirmation in the form of Exhibit B , duly completed, executed and delivered by the applicable Seller and Buyer in accordance with Section 3.01 .

" Contingent Liabilities ": With respect to any Person as of any date, all of the following as of such date: (a) liabilities and obligations (including any Guarantee Obligations) of such Person in respect of "off—balance sheet arrangements" (as defined in the Off—Balance Sheet Rules defined below in this definition), (b) obligations, including Guarantee Obligations, whether or not required to be disclosed in the footnotes to such Person's financial statements, guaranteeing in whole or in part any Non—Recourse Indebtedness, lease, dividend or other obligation, excluding, however (i) contractual indemnities (including, any indemnity or price—adjustment provision relating to the purchase or sale of securities or other assets) and (ii) guarantees of non—monetary obligations that have not yet been called on or quantified, of such Person or any other Person, and (c) forward commitments or obligations to fund or provide proceeds with respect to any loan or other financing that is obligatory and non—discretionary on the part of the lender. The amount of any Contingent Liabilities described in the preceding clause (b) shall be deemed to be (i) with respect to a guarantee of interest or interest and principal, or operating income guarantee, the sum of all payments required to be made thereunder (which, in the case of an operating income guarantee, shall be deemed to be equal to the debt service for the note secured thereby), through (x) in the case of an interest or interest and principal guarantee, the stated date of maturity of the obligation (and commencing on the date interest could first be payable thereunder), or (y) in the case of an operating income guarantee, the date through which such guarantee will remain in effect, and (ii) with respect to all guarantees not covered by the preceding clause (i), an amount equal to the stated or determinable amount of the primary obligation in respect of which such guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as recorded on the balance sheet and in the footnotes to the most recent financial statements of such Person. " Off—Balance Sheet Rules " means the Disclosure in Management's Discussion and Analysis About Off—Balance Sheet Arrangements and Aggregate Contractual Obligations, Securities Act Release Nos. 33—8182; 34—47264; FR—67

International Series Release No. 1266 File No. S7—42—02, 68 Fed. Reg. 5982 (Feb. 5, 2003) (codified at 17 CFR Parts 228, 229 and 249).

" Contractual Obligation ": With respect to any Person, any provision of any securities issued by such Person or any indenture, mortgage, deed of trust, deed to secure debt, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property or assets are bound or are subject.

" Control ": With respect to any Person, the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling," "Controlled" and "under common Control" have correlative meanings.

" Controlled Account Agreement ": An amended and restated control agreement with respect to the Waterfall Account, dated as of the date of this Agreement, among each Seller, Buyer and Waterfall Account Bank, as amended, modified, waived, supplemented, extended, restated or replaced from time to time.

" Core Asset ": All Purchased Assets that as of the Purchase Date therefor, consist either of eligible Whole Loans or eligible Senior Interests.

" Credit Event ": The determination by Buyer, in its commercially reasonable judgment, that any of the following events or any similar event, occurrence or condition has occurred: (i) an Insolvency Event with respect to any Underlying Obligor, (ii) any monetary or material non-monetary event of default under the terms of any Purchased Asset after giving effect to any applicable notice, grace or cure periods, (iii) failure of a Purchased Asset to qualify as an Eligible Asset, (iv) the deterioration in value of any Mortgaged Property relating to any Purchased Asset (other than due to fluctuations in current interest rates and spreads) such that the PPV Test with respect to any Purchased Asset is violated, (v) any drop in the net operating income or cash flow of any Purchased Asset or the Mortgaged Property related thereto such that (A) the Debt Yield Test is violated and (B) a Margin Deficit with respect to any Purchased Asset exists in an amount greater than $500,000, (vi) the loss of any security interest (or the priority thereof) under this Agreement or any documents executed in connection with this Agreement, or any document executed in connection with any Underlying Mortgage Loan, (vii) any Transaction fails to qualify for safe harbor treatment under the Bankruptcy Code, as described in Article 14 of this Agreement, (viii) any Seller fails to deliver the Mortgage Loan File to the Custodian within the applicable time periods provided in the Custodial Agreement, subject to any applicable cure periods set forth therein, (ix) any material breach of a representation or warranty with respect to any Purchased Asset occurs and is not cured within the applicable cure periods set forth in the documents executed in connection with the applicable Underlying Mortgaged Property (x) any statement, affirmation or certification made or information, document, agreement, report or notice delivered by either Seller to Buyer is untrue in any material respect, (xi) the Minimum Portfolio Debt Yield Test is violated, and (xii) Buyer determines that a Material Adverse Effect has occurred or that such Purchased Asset is otherwise unlikely to be collectible on a timely basis.

" Current Mark-to-Market Value ": For any Purchased Asset as of any date, the market value for such Purchased Asset as of such date as determined by Buyer in its good faith judgment, taking into account such criteria as and to the extent that Buyer deems appropriate, including as appropriate, market conditions, credit quality, subordination, delinquency status and aging and any amounts owing to Buyer or a Hedge Counterparty under any related Interest Rate Protection Agreement, which market value, in each case, may be determined to be zero; provided that the Current Mark-to-Market Value of any Purchased Asset that ceases to be an Eligible Asset shall be deemed to be zero.

" Custodial Agreement ": The Amended and Restated Custodial Agreement, dated as of the date hereof, among Buyer, Sellers and Custodian.

" Custodian ": Wells Fargo Bank, National Association, or any successor permitted by the Custodial Agreement.

" Debt Yield ": With respect to (a) any Purchased Asset for any relevant time period, the percentage equivalent of the quotient obtained by dividing (i) the annualized underwritten net cash flow for such period, as determined by Buyer, from the mortgaged properties securing such Purchased Asset, by (ii) the Purchase Price of such Purchased Asset as of the last day of such time period and (b) all Purchased Assets for any relevant time period, the percentage equivalent of the quotient obtained by dividing (i) the annualized underwritten net cash flow for such period, as determined by Buyer, from the mortgaged properties securing all Purchased Assets owned by Buyer at such time, by (ii) the Repurchase Price of all Purchased Assets owned by the Buyer at such time, as of the last day of such time period; provided , however , that Buyer shall calculate the Debt Yield with respect to Sellers in a manner consistent with other similar calculations with respect to counterparties that are also lenders and/or obligors under commercial real estate loans for which Buyer or its Affiliates is providing capital under agreements that are similar to this Agreement.

" Debt Yield Test ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Default ": Any event that, with the giving of notice or the lapse of time, or both, would become an Event of Default.

" Default Rate ": As of any date, the Prime Rate in effect on such date plus three and one-half percent (3.50%).

" Defaulted Asset ": Any Asset or Purchased Asset, as applicable, (a) that is thirty (30) or more days (or, in the case of payments due at maturity, one (1) day) delinquent in the payment of principal, interest, fees, distributions or any other amounts payable under the related Mortgage Loan Documents, (b) for which there is a Representation Breach with respect to such Asset or Purchased Asset, other than an Approved Representation Exception, (c) for which there is a monetary default or a material non—monetary default under the related Mortgage Loan Documents beyond any applicable notice or cure period, (d) as to which an Insolvency Event has occurred with respect to the related Underlying Obligor, or (e) for which any Seller or

Interim Servicer has received notice of the foreclosure or proposed foreclosure of any Lien on the related Underlying Mortgaged Property.

" Derivatives Contract ": Any rate swap transaction, basis swap, credit derivative transaction, forward rate transaction, commodity swap, commodity option, forward commodity contract, equity or equity index swap or option, bond or bond price or bond index swap or option or forward bond or forward bond price or forward bond index transaction, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross—currency rate swap transaction, currency option, spot contract, or any other similar transaction or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, including any obligations or liabilities thereunder.

" Derivatives Termination Value ": With respect to any one or more Derivatives Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Derivatives Contracts, (a) for any date on or after the date such Derivatives Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in the preceding clause (a), the amount(s) determined as the mark—to—market value(s) for such Derivatives Contracts, as determined based on one or more mid—market or other readily available quotations provided by any recognized dealer in such Derivatives Contracts (which may include Buyer).

" Dollars " and " $ ": Lawful money of the United States of America.

" Early Repurchase Date ": Defined in Section 3.04 .

" EBITDA ": With respect to any Person and for any Test Period, an amount equal to the sum of (a) Net Income (or loss) of such Person (prior to any impact from minority or non-controlling interests or joint venture net income and before deduction of any dividends on preferred stock of such Person), plus the following (but only to the extent actually included in determination of such Net Income (or loss)): (i) depreciation and amortization expense (other than those related to capital expenditures that have not been included in the calculation of Fixed Charges as defined in the Guarantee Agreement), (ii) Interest Expense, (iii) income tax expense, (iv) extraordinary or non-recurring gains, losses and expenses including but not limited to transaction expenses relating to business combinations, other acquisitions and unconsummated transactions, (v) unrealized loan loss reserves, impairments and other similar charges including but not limited to reserves for loss sharing arrangement associated with mortgage servicing rights, (vi) realized losses on loans and loss sharing arrangements associated with mortgage servicing rights and (vii) unrealized gains, losses and expenses associated with (A) derivative liabilities including but not limited to convertible note issuances and (B) mortgage servicing rights (other than the initial revenue recognition of recording an asset), plus (b) such Person's proportionate share of Net Income (prior to any impact from minority or non-controlling interests or joint venture net income and before deduction of any dividends on preferred stock of such Person) of the joint venture investments and unconsolidated Affiliates of such Person, all with respect to such period.

" Eligible Asset ": An Asset:

(a) that has been approved as a Purchased Asset by Buyer;

(b) with respect to which no Representation Breach exists unless each such breach is specifically set forth as a specific exemption in the related Conformation and approved in advance by Buyer;

(c) that is not a Defaulted Asset;

(d) with respect to which there are no future funding obligations other than in respect of which the applicable Seller has agreed to fund solely or as specifically approved in advance by Buyer in the related Confirmation;

(e) that has an LTV Ratio that is less than or equal to eighty percent (80%) for Non-Hotel Core Assets and seventy percent (70%) for Hotel Core Assets. Notwithstanding the foregoing, the LTV Ratio may be up to eighty-five percent (85%) if the related Applicable Percentage does not exceed seventy-five percent (75%) for Non-Hotel Core Assets, and seventy percent (70%) for Hotel Core Assets;

(f) in the case of any Core Asset whose Underlying Mortgaged Property is not a hotel, unless (ii) Buyer has received a copy of the franchise agreement and related documents for operation of the hotel under the national flag, all reports issued by the franchisor and a comfort letter from the franchisor running to the benefit of successors and assigns of the lender, (iii) the hotel is managed by a third party manager under a management agreement and subordination of management agreement, all of which are acceptable to Buyer;

(g) in the case any Flex Asset, whose Underlying Mortgaged Property is not a hotel;

(h) whose Underlying Mortgaged Property is located in the United States, whose Underlying Obligors are domiciled in the United States, and all obligations thereunder and under the Underlying Loan Documents are denominated and payable in Dollars;

(i) whose Underlying Obligors are not Sanctioned Entities;

(j) that does not involve an Equity Interest by either Seller, Guarantor or any Affiliate of either Seller or Guarantor that would result in (i) an actual or potential conflict of interest, (ii) an affiliation with an Underlying Obligor which results or could result in the loss or impairment of any material rights of the holder of the Asset; provided , the applicable Seller shall disclose to Buyer before the Purchase Date each Equity Interest held or to be held by any Seller, Guarantor or any Affiliate of any Seller or Guarantor with respect to such Asset whether or not it satisfies either of the preceding clauses (i) or (ii);

(k) that is secured by a perfected, first priority (subject to Permitted Liens) security interest on a "stabilized" or "light transitional" office, retail, self-storage, student housing, industrial, other commercial or multi-family property;

(l) that, if purchased by Buyer, would not cause either Seller to violate any Sub-Limit; and

(m) for which each of the conditions precedent set forth in Section 6.02 have been satisfied;

provided , that notwithstanding the failure of an Asset or Purchased Asset to conform to the requirements of this definition, Buyer may, subject to such terms, conditions and requirements and Applicable Percentage adjustments as Buyer may require, designate in writing any such non—conforming Asset or Purchased Asset as an Eligible Asset, which designation (1) may include a temporary or permanent waiver of one or more Eligible Asset requirements, and (2) shall not be deemed a waiver of the requirement that all other Assets and Purchased Assets must be Eligible Assets (including any Assets that are similar or identical to the Asset or Purchased Asset subject to the waiver). For the avoidance of doubt, Buyer's agreement to accept an Asset with a future funding obligation shall be deemed to be a permanent waiver of clause (d) of the definition of Eligible Asset with respect to such Asset, provided, however that such waiver shall not be deemed a waiver of such requirement with respect to any other Asset or Purchased Asset.

" Eligible Assignee ": Any of the following Persons designated by Buyer for purposes of Section 18.08(c) : (a) a bank, financial institution, pension fund, insurance company or similar Person, an Affiliate of any of the foregoing, and an Affiliate of Buyer, and (b) any other Person to which the related Seller has consented; provided , that the consent of such Seller shall not be unreasonably withheld, delayed or conditioned, except, so long as no Event of Default has occurred and is continuing, in the case of competitors or potential competitors of a Seller listed on Exhibit I hereto, and shall not be required at any time when an Event of Default exists.

" Environmental Laws ": Any federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or hazardous materials, including CERCLA, RCRA, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Oil Pollution Act of 1990, the Emergency Planning and the Community Right-to-Know Act of 1986, the Hazardous Material Transportation Act, the Occupational Safety and Health Act, and any state and local or foreign counterparts or equivalents.

" Equity Interests ": With respect to any Person, (a) any share, interest, participation and other equivalent (however denominated) of Capital Stock of (or other ownership, equity or profit interests in) such Person, (b) any warrant, option or other right for the purchase or other acquisition from such Person of any of the foregoing, (c) any security convertible into or exchangeable for any of the foregoing, and (d) any other ownership or profit

interest in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date.

" ERISA ": The Employee Retirement Income Security Act of 1974.

" ERISA Affiliate ": Any person (as defined in Section 3(g) of ERISA which, together with either Seller would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

" Event of Default ": Defined in Section 10.01 .

" Exempted Transactions ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Exit Fee ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Extended Facility Termination Date ": Defined in Section 3.06 .

" Extension Fee ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Facility Termination Date ": The earliest of (a) the Initial Facility Termination Date, as such date may be extended pursuant to Section 3.06(a) , (b) any Accelerated Repurchase Date, and (c) any date on which the Facility Termination Date shall otherwise occur in accordance with the Repurchase Documents or Requirements of Law.

" Fee Letter ": The amended and restated fee and pricing letter, dated as of the date hereof, between Buyer and Sellers, as amended, modified, waived, supplemented, extended, restated or replaced from time to time.

" Flex Assets ": All Purchased Assets that, as of the related Purchase Date, otherwise meet all of the criteria to qualify as eligible Whole Loans, eligible Senior Interests or eligible Mezzanine Loans, except that they are directly or indirectly secured by Liens on Underlying Mortgaged Properties, which as of the Purchase Date therefor, either (a) generate a Debt Yield that is lower than the minimum Debt Yield permitted for Core Assets of the applicable type for the applicable period, as set forth in the Fee Letter or (b) generate a PPV Ratio that is greater than the maximum PPV Ratio permitted for Core Assets of the applicable type for the applicable period, as set forth in the Fee Letter but, in each case, which Purchased Asset at least satisfies the minimum Debt Yield and maximum PPV Ratio applicable to Flex Assets for the applicable period.

" Funding Period ": The period from the Original Closing Date to and including the Facility Termination Date.

" Future Funding Amount ": With respect to any Purchased Asset for which a Future Funding Transaction has been requested by either Seller and approved by Buyer pursuant

to Section 3.11 , the product of (a) the amount that such Seller is funding as a post-closing advance on the related Future Funding Date as required by the Underlying Loan Documents relating to such Purchased Asset, provided, in no event shall the aggregate amount so requested by such Seller exceed the amount of future funding set forth on the related Confirmation for the initial Transaction relating to such Purchased Asset, minus all previous Future Funding Amounts funded by Buyer relating to such Purchased Asset, and (b) the Applicable Percentage for such Purchased Asset.

" Future Funding Confirmation ": Defined in Section 3.11(a)(i) .

" Future Funding Date ": With respect to any Purchased Asset for which a Future Funding Transaction has been requested by a Seller and approved by Buyer, the date on which the applicable Seller is required to fund a Future Funding Amount pursuant to the Underlying Loan Documents relating to such Purchased Asset.

" Future Funding Request Package ": With respect to one or more Future Funding Transactions, the following, to the extent applicable and available, unless any such items were previously delivered to Buyer and have not been modified since the date of each such delivery: (a) the related request for advance, executed by the related Underlying Obligor (which shall include evidence of the applicable Seller's approval of the related Future Funding Transaction); (b) the related affidavit executed by the related Underlying Obligor; (c) the executed escrow agreement, if funding through escrow; (d) copies of all relevant trade contracts; (e) the title policy endorsement for the advance; (f) copies of any tenant leases; (g) copies of any service contracts; (h) updated financial statements, operating statements and rent rolls; (i) evidence of required insurance; (j) updates to the engineering report, if required pursuant to the related Underlying Loan Documents; and (k) copies of any additional documentation as required in connection therewith pursuant to the related Underlying Loan Documents.

" Future Funding Transaction ": Any Transaction approved by Buyer pursuant to Section 3.11 where the funded amounts are to be applied for the funding of a post-closing advance with respect to either (a) any Securitized Purchased Asset, or (b) any Non-Securitized Purchased Asset, but only to the extent identified by the related Seller and approved by Buyer in the related Confirmation as a Purchased Asset for which Future Funding Transactions are permitted.

" GAAP ": Generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

" General Repo Account ": The bank account of Buyer described on Schedule 2 hereto.

" Governing Documents ": With respect to any Person, its articles or certificate of incorporation or formation, by-laws, partnership, limited liability company, memorandum and articles of association, operating or trust agreement and/or other organizational, charter or governing documents.

" Governmental Authority ": Any (a) nation or government, (b) state or local or other political subdivision thereof, (c) central bank or similar monetary or regulatory authority,

(d) Person, agency, authority, instrumentality, court, regulatory body, central bank or other body or entity exercising executive, legislative, judicial, taxing, quasi—judicial, quasi—legislative, regulatory or administrative functions or powers of or pertaining to government, (e) court or arbitrator having jurisdiction over such Person, its Affiliates or its assets or properties, (f) stock exchange on which shares of stock of such Person are listed or admitted for trading, (g) accounting board or authority that is responsible for the establishment or interpretation of national or international accounting principles, and (h) supra-national body such as the European Union or the European Central Bank.

" Ground Lease ": A ground lease containing the following terms and conditions: (a) a remaining term (exclusive of any unexercised extension options) of twenty (20) years or more from the Purchase Date of the related Asset, (b) the right of the lessee to mortgage and encumber its interest in the leased property without the consent of the lessor or with such consent given, (c) the obligation of the lessor to give the holder of any mortgage lien on such leased property written notice of any defaults on the part of the lessee and agreement of such lessor that such lease will not be terminated until such holder has had a reasonable opportunity to cure or complete foreclosures, and fails to do so, (d) reasonable transferability of the lessee's interest under such lease, including ability to sublease, and (e) such other rights customarily required by mortgagees making a loan secured by the interest of the holder of the leasehold estate demised pursuant to a ground lease.

" Guarantee Agreement ": An Amended and Restated Guarantee Agreement made by Guarantor in favor of Buyer, as amended, modified, waived, supplemented, extended, restated or replaced from time to time.

" Guarantee Obligation ": With respect to any Person (the " guaranteeing person "), any obligation of (a) the guaranteeing Person or (b) another Person (including any bank under any letter of credit) for which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends, Contractual Obligation, Derivatives Contract or other obligations or indebtedness (the " primary obligations ") of any other third Person (the " primary obligor ") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation, or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided , that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the maximum stated amount of the primary obligation relating to such Guarantee Obligation (or, if less, the maximum stated liability set forth in the instrument embodying such Guarantee Obligation); provided , that in the absence of any such stated amount or stated liability, the amount of such Guarantee Obligation shall be such guaranteeing person's maximum anticipated liability in respect thereof as reasonably determined by such Person.

" Guarantor ": Ares Commercial Real Estate Corporation, a Maryland corporation.

" Hedge Counterparty ": Either (a) an Affiliated Hedge Counterparty, or (b) or any other counterparty, approved by Buyer, to any Interest Rate Protection Agreement with a Seller, in either case which agreement contains a consent satisfactory to Buyer to the collateral assignment to Buyer of the rights (but none of the obligations) of such Seller thereunder.

" Hedge Required Asset ": A Purchased Asset that has a fixed rate of interest or return.

" Hotel Core Assets ": All Core Assets that are secured by Underlying Mortgaged Properties consisting primarily of hotel properties.

" Income ": With respect to any Purchased Asset, all of the following (in each case with respect to the entire par amount of the Asset represented by such Purchased Asset and not just with respect to the portion of the par amount represented by the Purchase Price advanced against such Asset): (a) all Principal Payments, (b) all Interest Payments, (c) all other income, distributions, receipts, payments, collections, prepayments, recoveries, proceeds (including insurance and condemnation proceeds) and other payments or amounts of any kind paid, received, collected, recovered or distributed on, in connection with or in respect of such Purchased Asset, including Principal Payments, Interest Payments, principal and interest payments, prepayment fees, extension fees, exit fees, defeasance fees, transfer fees, make whole fees, late charges, late fees and all other fees or charges of any kind or nature, premiums, yield maintenance charges, penalties, default interest, dividends, gains, receipts, allocations, rents, interests, profits, payments in kind, returns or repayment of contributions, net sale, foreclosure, liquidation, securitization or other disposition proceeds, insurance payments, settlements and proceeds, and (d) all payments received from Hedge Counterparties pursuant to Interest Rate Protection Agreements related to such Purchased Asset; provided, that any amounts that under the applicable Mortgage Loan Documents are required to be deposited into and held in escrow or reserve to be used for a specific purpose, such as taxes and insurance, shall not be included in the term "Income" unless and until (i) an event of default exists under such Mortgage Loan Documents, (ii) the holder of the related Purchased Asset has exercised or is entitled to exercise rights and remedies with respect to such amounts, (iii) such amounts are no longer required to be held for such purpose under such Mortgage Loan Documents, or (iv) such amounts may be applied to all or a portion of the outstanding indebtedness under such Mortgage Loan Documents.

" Indebtedness ": With respect to any Person and any date, all of the following with respect to such Person as of such date, without duplication: (a) all then outstanding indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) obligations, whether or not for money borrowed, incurred in connection with the issuance of preferred equity or trust preferred securities, (c) any other then outstanding indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (d) all Capital Lease Obligations, (e) all then outstanding obligations of such Person in respect of letters of credit other than standby letters of credit, acceptances or similar instruments issued or

created for the account of such Person, (f) all then outstanding liabilities secured by any Lien on any property owned by such Person, other than standby letters of credit, even though such Person has not assumed or otherwise become liable for the payment thereof, (g) Off—Balance Sheet Obligations, (h) as applicable, all obligations of such Person (but not the obligation of others) in respect of any keep well arrangements, credit enhancements, contingent or future funding obligations under any Purchased Asset or any obligation senior to any Purchased Asset, unfunded interest reserve amount under any Purchased Asset or any obligation that is senior to any Purchased Asset, purchase obligation, repurchase obligation, sale/buy—back agreement, takeout commitment or forward equity commitment, in each case evidenced by a binding agreement (excluding any such obligation to the extent the obligation can be satisfied by the issuance of Equity Interests (other than mandatory redeemable stock)), (i) net obligations under any Derivatives Contract not entered into as a hedge against existing indebtedness, in an amount equal to the Derivatives Termination Value thereof, (j) all Non—Recourse Indebtedness, recourse indebtedness and all indebtedness of other Persons that such Person has guaranteed or is otherwise recourse to such Person, (k) all Contingent Liabilities, (l) obligations to fund capital commitments under any Governing Document, subscription agreement or otherwise, and (m) indebtedness of general partnerships of which such Person is liable as a general partner (whether secondarily or contingently liable or otherwise).

" Indemnified Amount ": Defined in Section 13.01 .

" Indemnified Person ": Defined in Section 13.01 .

" Independent Appraiser ": An independent professional real estate appraiser who is a member in good standing of the American Appraisal Institute, and, if the state in which the subject Underlying Mortgaged Property is located certifies or licenses appraisers, is certified or licensed in such state, and in each such case, who has a minimum of five years experience in the subject property type.

" Initial Facility Termination Date ": December 14, 2014.

" Initial Purchased Assets ": Purchased Assets acquired prior to satisfaction of the Ramp-Up Threshold, excluding the first $15,000,000 of Purchased Assets (by Market Value).

" Insolvency Action ": With respect to any Person, the taking by such Person of any action resulting in an Insolvency Event, other than solely under clause (g) of the definition thereof.

" Insolvency Event ": With respect to any Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises with respect to such Person or any substantial part of its assets or property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, or ordering the winding—up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of thirty (30) days, (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, (c) the consent by such Person to the entry of an order for relief in an involuntary case under any

Insolvency Law, (d) the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, (e) the making by such Person of any general assignment for the benefit of creditors, (f) the admission in a legal proceeding of the inability of such Person to pay its debts generally as they become due, (g) the failure by such Person generally to pay its debts as they become due, or (h) the taking of action by such Person in furtherance of any of the foregoing; provided that, for purposes of this clause (h), the mere request or receipt of advice from advisors shall not constitute the taking of action in furtherance of any of the foregoing.

" Insolvency Laws ": The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments and similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

" Insolvency Proceeding ": Any case, action or proceeding before any court or other Governmental Authority relating to any Insolvency Event.

" Interest Expense ": With respect to any Person and for any Test Period, the amount of total interest expense incurred by such Person, including capitalized or accruing interest (but excluding interest funded under a construction loan, the amortization of financing costs, and the payment of origination fees), plus such Person's proportionate share of interest expense from the joint venture investments and unconsolidated Affiliates of such Person, all with respect to such period.

" Interest Payments ": With respect to any Purchased Asset, all payments of interest, income, receipts and dividends received from time to time in connection with any such Purchased Asset.

" Interest Rate Protection Agreement ": With respect to any or all Purchased Assets, any futures contract, options related contract, short sale of United States Treasury securities or any interest rate swap, cap, floor or collar agreement, total return swap or any other similar arrangement providing for protection against fluctuations in interest rates or the exchange of nominal interest obligations either generally or under specific contingencies, in each case with a Hedge Counterparty and that is acceptable to Buyer. For the avoidance of doubt, any Interest Rate Protection Agreement with respect to a Purchased Asset shall be included in the definitions of " Purchased Asset " and " Repurchase Document ."

" Interim Servicer ": Ares Commercial Real Estate Servicer LLC.

" Interim Servicer Event of Default ": With respect to Interim Servicer, (a) any default or event of default (however defined) under the Servicing Agreement among Sellers, Interim Servicer and Buyer, or (b) any failure of Interim Servicer to be rated by a Rating Agency as an approved servicer of commercial mortgage loans

" Internal Control Event ": Fraud that involves management or other employees who have a significant role in the internal controls of either Seller, Guarantor or any Specified Affiliate over financial reporting.

" Investment ": With respect to any Person, any acquisition or investment (whether or not of a controlling interest) by such Person, whether by means of (a) the purchase or other acquisition of any Equity Interest in another Person, (b) a loan, advance or extension of credit to, capital contribution to, guaranty or credit enhancement of Indebtedness of, or purchase or other acquisition of any Indebtedness of, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute the business or a division or operating unit of another Person. Any binding commitment or option to make an Investment in any other Person, which commitment or opinion is able to be exercised prior to the current Facilities Termination Date, shall constitute an Investment. Except as expressly provided otherwise, for purposes of determining compliance with any covenant contained in this Agreement, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

" Investment Company Act ": The Investment Company Act of 1940, as amended, restated or modified from time to time, including all rules and regulations promulgated thereunder.

" Irrevocable Redirection Notice ": A notice in the form of Exhibit H , sent by the related Seller or by Interim Servicer on such Seller's behalf directing the remittance of Income with respect to a Purchased Asset to the Collection Account or Waterfall Account, as applicable, and executed by the Interim Servicer with respect to such Purchased Asset.

" Knowledge ": With respect to any Person, means collectively (i) the Actual Knowledge of such Person, (ii) notice of any fact, event, condition or circumstance that would cause a reasonably prudent Person to conduct an inquiry that would give such Person Actual Knowledge, whether or not such Person actually undertook such an inquiry, and (iii) all knowledge that is imputed to a Person under any statute, rule, regulation, ordinance, or official decree or order.

" LIBOR ": For any Pricing Period, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100000 of 1%) for deposits in Dollars, for a one-month period, that appears on Reuters Screen LIBOR01 (or the successor thereto) as the London interbank offered rate for deposits in Dollars as of 11:00 a.m., London time, on the Pricing Rate Reset Date for such Pricing Period. If such rate does not appear on Reuters Screen LIBOR01 as of 11:00 a.m., London time, on such Pricing Rate Reset Date, Buyer shall request the principal London office of the Reference Banks selected by Buyer to provide such banks' offered quotation (expressed as a percentage per annum) to leading banks in the international Eurocurrency market for deposits in Dollars for a one-month period as of 11:00 a.m., London time, on such Pricing Rate Reset Date for amounts of not less than the aggregate Repurchase Price of all Purchased Assets. If at least two such offered quotations are so provided, LIBOR shall be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, Buyer shall request any three major banks in New York City selected by Buyer to provide such banks' rate (expressed as a percentage per annum) for loans in Dollars to leading banks in the international Eurocurrency market for a one-month period as of approximately 11:00 a.m., New York City time on the applicable Pricing Rate Reset Date for amounts of not

less than the aggregate Repurchase Price of all Purchased Assets. If at least two such rates are so provided, LIBOR shall be the arithmetic mean of such rates.

" LIBO Rate ": For any Pricing Period, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100000 of 1%) determined for such Pricing Period in accordance with the following formula:

$$\frac{\text{LIBOR for such Pricing Period}}{1 - \text{Reserve Requirement}}$$

" Lien ": Any mortgage, statutory or other lien, pledge, charge, right, claim, adverse claim, attachment, levy, hypothecation, assignment, deposit arrangement, security interest, UCC financing statement or encumbrance of any kind on or otherwise relating to any Person's assets or properties in favor of any other Person or any preference, priority or other security agreement or preferential arrangement of any kind.

" LTV Ratio ": For each Purchased Asset, the ratio of (a) the total amount then-currently due and owing in connection with the related underlying Whole Loan to (b) the then-current "as-is" market value of the Underlying Mortgaged Property securing such Whole Loan, as such market value is set forth in an Appraisal.

" Manager ": Ares Commercial Real Estate Management LLC.

" Margin Call ": Defined in Section 4.01 .

" Margin Deficit ": Defined in Section 4.01 .

" Margin Percentage ": For any Purchased Asset as of any date, the percentage equivalent of the quotient obtained by dividing one (1) by the Applicable Percentage used to calculate the Purchase Price on the related Purchase Date.

" Market Value ": For any Purchased Asset as of any date, the lower of the Current Mark-to-Market Value and Book Value for such Purchased Asset as determined by Buyer in its commercially reasonable discretion; provided , that Buyer may set the Market Value to zero for any Purchased Asset with respect to which:

(a) the requirements of the definition of Eligible Asset are not satisfied, as determined by Buyer;

(b) a Representation Breach exists, as determined by Buyer;

(c) any Retained Interest, funding obligation or any other obligation of any kind has been transferred to Buyer;

(d) the related Seller fails to repurchase such Purchased Asset by the Repurchase Date therefor;

(e) an Insolvency Event has occurred with respect to any co-participant or other Person having an interest in such Purchased Asset;

(f) all Mortgage Loan Documents have not been delivered to Custodian within the time periods required by this Agreement and the Custodial Agreement;

(g) any material Mortgage Loan Document has been released from the possession of Custodian under the Custodial Agreement to a Seller for more than ten (10) days, except as contemplated by the Custodial Agreement;

(h) there is a violation of any applicable Sub-Limit;

(i) the applicable Seller fails to deliver any reports required hereunder within the applicable time periods after giving effect to any applicable grace or cure periods set forth herein, where such failure adversely affects the Market Value thereof or Buyer's ability to determine Market Value therefor; or

(j) for each Purchased Asset originally acquired by the applicable Seller, from a Transferor, either (i) the original transfer to such Seller is or may be voidable or subject to avoidance under the Bankruptcy Code, or (ii) any of the material representations and warranties made by such Transferor to such Seller in the related Purchase Agreement are breached.

" Material Adverse Effect ": A material adverse effect on or material adverse change in or to (a) the property, assets, business, operations, financial condition or credit quality of Guarantor or either Seller, (b) the ability of either Seller to pay and perform the Repurchase Obligations, (c) the validity, legality, binding effect or enforceability of any Repurchase Document, Mortgage Loan Document, Purchased Asset or security interest granted hereunder or thereunder, (d) the rights and remedies of Buyer or any Indemnified Person under any Repurchase Document, Mortgage Loan Documents or Purchased Asset, (e) the Current Mark-to-Market Value, rating (if applicable), liquidity or other aspect of a material portion of the Purchased Assets, as determined by Buyer, or (f) the perfection or priority of any Lien granted under any Repurchase Document or Mortgage Loan Document.

" Material Facility Default ": Any monetary Default, any material non-monetary Default or any Event of Default.

" Material Modification ": Any material extension, amendment, waiver, termination, rescission, cancellation, release or other modification to the terms of, or any collateral, guaranty or indemnity for, or any other action, direction or decision that could adversely affect the value or collectability of any amounts due with respect to the Purchased Assets, as determined by Buyer. Notwithstanding the foregoing, so long as no Material Facility Default or Event of Default has occurred, the applicable Seller (or Servicer, on its behalf) shall have the right without the consent of Buyer in each instance to enter into any amendment, deferral, extension, modification, increase, decrease, renewal, replacement, consolidation, supplement or waiver of, or to exercise any rights of a holder under (collectively, a "Loan Modification"), the Mortgage Loan Documents and such Loan Modification shall not constitute a Material Modification provided that either (I) if the related Loan Modification is being made in

connection with a Securitized Purchased Asset, such Loan Modification satisfies all of the applicable terms, conditions and requirements which are set forth in the related participation agreement (it being understood, for the avoidance of doubt, that modifications to any such participation agreement are expressly prohibited under Section 8.03), or (II) the same does not:

(a) decrease the interest rate or principal amount of any Purchased Asset (except in the case of either required future advances or permitted protective advances) or defer or forebear from collecting any principal or interest (other than with respect to either a required future advance or a permitted protective advance);

(b) change in any other material respect any monetary obligations of any Underlying Obligor under the Mortgage Loan Documents in any manner that could be adverse to the interests of Buyer;

(c) extend the scheduled maturity date or extended maturity date (except to the extent extended in accordance with the terms and provisions of the Mortgage Loan Documents) of the Purchased Asset (except that the applicable Seller may permit an Underlying Obligor to exercise any extension options in accordance with the terms and provisions of the Mortgage Loan Documents);

(d) convert or exchange a Purchased Asset into or for any other indebtedness or subordinate any of the Purchased Asset to any indebtedness of any Underlying Obligor;

(e) amend, modify or waive the provisions limiting transfers of interests in the Underlying Obligor or the Underlying Mortgaged Property;

(f) amend, modify or waive in any material respect the terms and provisions of any cash management agreement or other Mortgage Loan Document with respect to the manner, timing and method of the application of payments under the Mortgage Loan Documents;

(g) cross default the Purchased Asset with any other indebtedness of any Underlying Obligor;

(h) obtain any contingent interest, additional interest or so-called “kicker” measured on the basis of the cash flow or appreciation of the Underlying Mortgaged Property (or other similar equity participation);

(i) amend, modify or waive any default provision, including, the definition of “Default”, “Event of Default” or similar defined term in the Mortgage Loan Documents;

(j) amend, modify or waive any notice or cure periods provided in the Mortgage Loan Documents, provided, however, with respect to each Purchased Asset, such Seller (or Servicer on its behalf) may waive (but not amend or modify) on a one-time basis during the related loan term (including any extensions thereof) for each Purchased Asset a nonmonetary notice and cure period provided that any applicable notice or cure period shall not be extended more than thirty (30) calendar days;

(k) materially amend, modify or waive any insurance requirements under the Mortgage Loan Documents (including, without limitation, any deductibles, limits or qualifications of insurers) or any material casualty or condemnation provisions;

(l) change the flag on an existing hotel;

(m) unless the related manager is in default, remove the current manager of an existing hotel (provided that Buyer's consent to any replacement manager is required);

(n) forgive any debt of any Underlying Obligor;

(o) release or substitute any collateral except as provided in the Mortgage Loan Documents;

(p) consent to the placement of any Lien, encumbrance or easement on the Underlying Mortgaged Property or any Lien or encumbrance on the Equity Interests in any Underlying Obligor (in each case, to the extent not expressly permitted by the Mortgage Loan Documents);

(q) amend, modify or waive provisions in the Mortgage Loan Documents restricting the Underlying Obligor, any guarantor or any equity owners of any of the foregoing from incurring additional Indebtedness (in each case, to the extent not expressly permitted by the Mortgage Loan Documents); or

(r) permit any loan assumption or release or substitute any Underlying Obligor, guarantor or indemnitor of the Mortgage Loan Documents, except as provided in the Mortgage Loan Documents; provided , however , nothing in the foregoing shall imply a right of consent by Buyer, prior to the existence of a Material Facility Default or Event of Default, with respect to waivers of any non-material, non-monetary default under any Mortgage Loan Documents.

" Materials of Environmental Concern ": Any hazardous, toxic or harmful substances, materials, wastes, pollutants or contaminants defined as such in or regulated under any Environmental Law.

" Maximum Amount ": $225,000,000, which Maximum Amount shall not be increased by any Future Funding Transaction or reduced upon the repurchase of any Purchased Assets; provided, that on and after the Facility Termination Date, the Maximum Amount on any date shall be the aggregate Purchase Price outstanding for all Transactions as of such date, as such amount declines over the term hereof as Purchased Assets are repurchased and Margin Deficits are satisfied.

" Maximum Applicable Percentage ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Mezzanine Borrower " The obligor on a Mezzanine Note, including any Person who has assumed or guaranteed the obligations of the obligor thereunder.

" Mezzanine Loan ": A performing mezzanine loan secured by pledges of the Equity Interests of an Underlying Obligor or that portion of the Equity Interest that includes the general partnership, managing member or other controlling interest (including the right to take title to and sell the related Underlying Mortgaged Property) that owns income producing commercial real estate which is a Type of Mortgaged Property and for which the combined DSCR is not less than that set forth in the related Confirmation, taking into account any senior or *pari passu* Indebtedness secured directly or indirectly by the related Underlying Mortgaged Property, including any Preferred Equity interest or Mezzanine Debt that is senior to or *pari passu* with the related Asset.

" Mezzanine Note ": The original executed promissory note or other tangible evidence of Mezzanine Loan indebtedness.

" Minimum Portfolio Debt Yield Test ": The meaning set forth in the Fee Letter, which definition is incorporated herein by reference.

" Moody's ": Moody's Investors Service, Inc. or, if Moody's Investors Service, Inc. is no longer issuing ratings, another nationally recognized rating agency reasonably acceptable to Buyer.

" Mortgage ": Any mortgage, deed of trust, assignment of rents, security agreement and fixture filing, or other instruments creating and evidencing a lien on real property and other property and rights incidental thereto.

" Mortgage Asset File ": The meaning set forth in the Custodial Agreement, which definition is incorporated by reference herein.

" Mortgage Loan Documents ": With respect to any Purchased Asset, those documents executed in connection with, evidencing or governing such Purchased Asset and the related Underlying Mortgaged Property and which are required to be delivered to Custodian under the Custodial Agreement.

" Mortgage Note ": The original executed promissory note or other evidence of the indebtedness of a Mortgagor with respect to a commercial mortgage loan.

" Mortgaged Property ": The real property (including all improvements, buildings, fixtures, building equipment and personal property thereon and all additions, alterations and replacements made at any time with respect to the foregoing) and all other collateral securing repayment of the debt evidenced by a Senior Interest Note, Mezzanine Note or a Mortgage Note.

" Mortgagee ": The record holder of a Mortgage Note secured by a Mortgage.

" Mortgagor ": The obligor on a Mortgage Note, including any Person who has assumed or guaranteed the obligations of the obligor thereunder.

" Multiemployer Plan ": Any employee benefit plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which Seller or any ERISA Affiliate makes or is

obligated to make contributions, or during the preceding five (5) plan years, has made or been obligated to make contributions.

" Multi-Family Asset ": Any Purchased Asset for which the majority or all of the Underlying Mortgaged Property consists of multiple separate housing units for residential (i.e. non-commercial) inhabitants, which may be contained either in one building or in several buildings within a single complex.

" Net Cash Flow ": With respect to any Purchased Asset and for any period, the net cash flow of such Purchased Asset for such period as underwritten by Buyer.

" Net Income ": With respect to any Person for any period, the net income of such Person for such period as determined in accordance with GAAP.

" Non-Hotel Core Assets ": All Core Assets other than Hotel Core Assets.

" Non—Recourse Indebtedness ": With respect to any Person and any date, indebtedness of such Person as of such date for borrowed money in respect of which recourse for payment (except for customary exceptions for fraud, misapplication of funds, environmental indemnities, Insolvency Events, non-approved transfers or other events) is contractually limited to specific assets of such Person encumbered by a Lien securing such Indebtedness.

" Non-Securitized Purchased Asset ": Any Purchased Asset other than those described on Schedule 4 hereto.

" Non-Utilization Fee ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Off—Balance Sheet Obligations ": With respect to any Person and any date, to the extent not included as a liability on the balance sheet of such Person, all of the following with respect to such Person as of such date: (a) monetary obligations under any financing lease or so—called "synthetic," tax retention or off—balance sheet lease transaction that, upon the application of any Insolvency Laws, would be characterized as indebtedness, (b) monetary obligations under any sale and leaseback transaction that does not create a liability on the balance sheet of such Person, or (c) any other monetary obligation arising with respect to any other transaction that (i) is characterized as indebtedness for tax purposes but not for accounting purposes, or (ii) is the functional equivalent of or takes the place of borrowing but that does not constitute a liability on the balance sheet of such Person (for purposes of this clause (c), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

" Partially Repaid Purchased Asset ": Defined in Section 3.07(a) .

" Partial Payment Amount ": Defined in Section 3.07(a) .

" Participant ": Defined in Section 18.08(b) .

" Patriot Act ": The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, modified or replaced from time to time.

" PBGC ": The Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

" Permitted Liens ": Any of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding has been commenced: (a) Liens for state, municipal, local or other local taxes not yet due and payable, (b) Liens imposed by Requirements of Law, such as materialmen's, mechanics', carriers', workmen's, repairmen's and similar Liens, arising in the ordinary course of business securing obligations that are not overdue for more than thirty (30) days or that are being contested in good faith and for which an adequate cash bond has been maintained, (c) Liens granted pursuant to or by the Repurchase Documents and (d) Liens against any Seller in an aggregate amount not to exceed $500,000.

" Person ": An individual, corporation, limited liability company, business trust, partnership, trust, unincorporated organization, joint stock company, sole proprietorship, joint venture, Governmental Authority or any other form of entity.

" Plan ": An employee benefit plan as defined in Section 3(3) of ERISA which is established, maintained or contributed to by Seller or an employee benefit plan as defined in Section 3(3) of ERISA that is subject to Section 412 of the Code or Title IV of ERISA which is established, maintained or contributed to by Seller or any ERISA Affiliate or to which a Seller or any ERISA Affiliate may have any liability, contingent or otherwise.

" Pledge and Security Agreement ": The Amended and Restated Pledge and Security Agreement, dated as of the date hereof, between Buyer and Pledgor, as amended, modified, waived, supplemented, extended, restated or replaced from time to time.

" Pledged Collateral ": The meaning set forth in the Pledge and Security Agreement, which definition is incorporated by reference herein.

" Pledgor ": ACRC Lender LLC, a Delaware limited liability company, together with its successors and permitted assigns.

" PPV Ratio ": For each Purchased Asset, the ratio of the Purchase Price to the market value (as determined by Buyer) of the Underlying Mortgaged Property securing the related Purchased Asset, as determined by Buyer. In determining the PPV Ratio at (i) the time of an initial asset approval and funding and (ii) in connection with the determination at any time after the Purchase Date therefor, of whether a Flex Asset may be recharacterized from as a Core Asset, Buyer will use the "As Is" value from an Appraisal at sole cost of Sellers. All other determinations of the PPV Ratio hereunder shall be based upon Buyer's determination in its commercially reasonable discretion of the market value of the Underlying Mortgaged Property; provided , however , that Buyer shall calculate the PPV Ratio with respect to Sellers in a manner consistent with other similar calculations with respect to counterparties that are also lenders and/or obligors under commercial real estate loans for which Buyer or its Affiliates is providing capital under agreements that are similar to this Agreement.

" PPV Tes t": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Price Differential ": For any Pricing Period or portion thereof and (a) for any Transaction outstanding, the sum of the products, for each day during such Pricing Period or portion thereof, of (i) 1/360th of the Pricing Rate in effect for each Purchased Asset subject to such Transaction during such Pricing Period, times (ii) the Purchase Price for such Purchased Asset, or (b) for all Transactions outstanding, the sum of the amounts calculated in accordance with the preceding clause (a) for all Transactions.

" Pricing Margin ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Pricing Period ": For any Purchased Asset, (a) in the case of the first Remittance Date, the period from the Purchase Date for such Purchased Asset to but excluding such Remittance Date, and (b) in the case of any subsequent Remittance Date, the one-month period commencing on and including the prior Remittance Date and ending on but excluding such Remittance Date; provided , that no Pricing Period for a Purchased Asset shall end after the Repurchase Date for such Purchased Asset.

" Pricing Rate ": For any Pricing Period, the LIBO Rate for such Pricing Period (as such LIBO Rate changes on each Pricing Rate Reset Date) plus the applicable Pricing Margin, which shall be subject to adjustment and/or conversion as provided in Sections 12.01 and 12.02 ; provided , that while an Event of Default exists, the Pricing Rate shall be the Default Rate.

" Pricing Rate Reset Date ": (a) In the case of the first Pricing Period for any Purchased Asset, the Purchase Date for such Purchased Asset, and (b) in the case of any subsequent Pricing Period, the date that is two (2) Business Days immediately preceding the first day of each calendar month, or on any other date as determined by Buyer and communicated to the related Seller. The failure to communicate shall not impair Buyer's decision to reset the Pricing Rate on any date.

" Prime Rate ": An annual rate equal to the prime rate as published in the "Money Rates" section of *The Wall Street Journal* , as that prime rate may change from time to time.

" Principal Payments ": For any Purchased Asset, all payments and prepayments of principal received and applied as principal toward the Purchase Price for such Purchased Asset, including, without limitation, insurance and condemnation proceeds and recoveries from liquidation or foreclosure.

" Purchase Agreement ": Any purchase agreement between a Seller and any Transferor pursuant to which such Seller purchased or acquired an Asset which is subsequently sold to Buyer hereunder, which Purchase Agreement shall contain a grant of a security interest in favor of such Seller and authorize the filing of UCC financing statements against the Transferor with respect to such Asset.

" Purchase Date ": For any Purchased Asset, the date on which such Purchased Asset is transferred by the related Seller to Buyer.

" Purchase Price ": For any Purchased Asset, (a) as of the Purchase Date for such Purchased Asset, an amount equal to the product of the Market Value of such Purchased Asset, times the Applicable Percentage for such Purchased Asset, and (b) as of any other date, the amount described in the preceding clause (a), (i) increased by any Future Funding Amounts disbursed by Buyer to the applicable Seller or the related borrower with respect to such Purchased Asset and, (ii) reduced by (x) any amount of Margin Deficit transferred by such Seller to Buyer pursuant to Section 4.01 and applied to the Purchase Price of such Purchased Asset, (y) any Principal Payments remitted to the Waterfall Account and which were applied to the Purchase Price of such Purchased Asset by Buyer pursuant to clause *fifth* of Section 5.02 , and (z) any payments made by such Seller in reduction of the outstanding Purchase Price.

" Purchased Assets ": (a) For any Transaction, each Asset sold by the related Seller to Buyer in such Transaction, and (b) for the Transactions in general, all Assets sold by the applicable Seller to Buyer, in each case including, to the extent relating to such Asset or Assets, all of such Seller's right, title and interest in and to (i) Mortgage Loan Documents, (ii) Servicing Rights, (iii) Servicing Files, (iv) mortgage guaranties and insurance (issued by Governmental Authorities or otherwise) and claims, payments and proceeds thereunder, (v) insurance policies, certificates of insurance and claims, payments and proceeds thereunder, (vi) the principal balance of such Assets, not just the amount advanced, (vii) amounts and property from time to time on deposit or credited to the Waterfall Account and the Waterfall Account itself, (viii) collection, escrow, reserve, collateral or lock—box accounts and all amounts and property from time to time on deposit therein, to the extent of the related Seller's or the holder's interest therein, (ix) Income paid or payable in connection with such Asset during the time such Asset is subject to a Transaction, until such Asset is repurchased by such Seller hereunder, (x) amounts and property from time to time on deposit in the Collection Accounts, together with the Collection Accounts themselves, (xi) security interests of such Seller in Derivatives Contracts entered into by Underlying Obligors, (xii) rights of such Seller under any letter of credit, guarantee, warranty, indemnity or other credit support or enhancement, (xiii) Interest Rate Protection Agreements relating to such Assets, and (xiv) all supporting obligations of any kind; provided , that (A) Purchased Assets shall not include any obligations of such Seller or any Retained Interests, and (B) for purposes of the grant of security interest by such Seller to Buyer and the other provisions of Article 11 , Purchased Assets shall include all of the following: general intangibles, accounts, chattel paper, deposit accounts, securities accounts, instruments, securities, financial assets, uncertificated securities, security entitlements and investment property (as such terms are defined in the UCC) and replacements, substitutions, conversions, distributions or proceeds relating to or constituting any of the items described in the preceding clauses (i) through (xiv).

" Ramp-Up Threshold ": A threshold that will be satisfied when Buyer determines, based on its allocation in its discretion to individual Purchased Assets of the aggregate Purchase Prices for all Purchased Assets then owned by the Buyer, that the Maximum Applicable Percentage, Minimum Debt Yield and Maximum PPV requirements as set forth in the applicable columns in the Fee Letter are all in compliance for each such Purchased Asset and that the Sub-Limits are satisfied.

" Rating Agencies ": Each of Fitch, Inc., Moody's and S&P.

" Reference Banks ": Banks each of which shall (a) be a leading bank in the international Eurocurrency market, and (b) have an established place of business in London. Initially, the Reference Banks shall be JPMorgan Chase Bank, Barclays Bank PLC and Deutsche Bank AG. If any such Reference Bank should be unwilling or unable to act as such or if Buyer shall terminate the appointment of any such Reference Bank or if any of the Reference Banks should be removed from the Reuters Monitor Money Rates Service or in any other way fail to meet the qualifications of a Reference Bank, Buyer may designate alternative banks meeting the criteria specified in the preceding clauses (a) and (b).

" REIT ": A Person qualifying as a "real estate investment trust," as defined in Section 856(a) of the Code.

" Release ": Any generation, treatment, use, storage, transportation, manufacture, refinement, handling, production, removal, remediation, disposal, presence or migration of Materials of Environmental Concern on, about, under or within all or any portion of any property or Mortgaged Property, except Materials of Environmental Concern used and managed in ordinary commercial activities in compliance with applicable laws and best practices, such as copier ink and dry cleaning chemicals, where such usage and management does not result in harm to the environment or human health and does not result in liability for investigation or other remediation pursuant to applicable law.

" Remedial Work ": Any investigation, inspection, site monitoring, containment, clean—up, removal, response, corrective action, mitigation, restoration or other remedial work of any kind or nature because of, or in connection with, the current or future presence, suspected presence, Release or threatened Release in or about the air, soil, ground water, surface water or soil vapor at, on, about, under or within all or any portion of any property or Mortgaged Property of any Materials of Environmental Concern, including any action to comply with any applicable Environmental Laws or directives of any Governmental Authority with regard to any Environmental Laws.

" Remittance Date ": The 18th day of each month (or if such day is not a Business Day, the next following Business Day, or if such following Business Day would fall in the following month, the next preceding Business Day), or such other day as is mutually agreed to by each Seller and Buyer.

" Reportable Event ": Any event set forth in Section 4043(c) of ERISA, other than an event as to which the notice period is waived under Pension Benefit Guaranty Commission Reg. §4043.

" Representation Breach ": Any representation, warranty, certification, statement or affirmation made or deemed made by any Seller, Pledgor or Guarantor in any Repurchase Document (including in Schedule 1) or in any certificate, notice, report or other document delivered pursuant to any Repurchase Document proves to be incorrect, false or misleading in any material respect when made or deemed made, without regard to any Knowledge or lack of Knowledge thereof by such Person, other than an Approved Representation Exception.

" Representation Exceptions ": A written list prepared by the related Seller specifying, in reasonable detail, the representations and warranties (or portions thereof) set forth in this Agreement (including in Schedule 1) which are not satisfied with respect to an Asset or Purchased Asset.

" Repurchase Date ": For any Purchased Asset, the earliest of (a) the Facility Termination Date, (b) any Early Repurchase Date therefor, and (c) the Business Day on which the related Seller is to repurchase such Purchased Asset as specified by such Seller and agreed to by Buyer in the related Confirmation.

" Repurchase Documents ": Collectively, this Agreement, the Custodial Agreement, the Fee Letter, the Account Control Agreement, all Interest Rate Protection Agreements, the Pledge and Security Agreement, the Guarantee Agreement, the Servicing Agreement, all Confirmations, all UCC financing statements, amendments and continuation statements filed pursuant to any other Repurchase Document, and all additional documents, certificates, agreements or instruments, the execution of which is required, necessary or incidental to or desirable for performing or carrying out any other Repurchase Document.

" Repurchase Obligations ": All obligations of each Seller to pay the Repurchase Price on the Repurchase Date and all other obligations and liabilities of each Seller to Buyer arising under or in connection with the Repurchase Documents (for the avoidance of doubt, including all Interest Rate Protection Agreements with Affiliated Hedge Counterparties), whether now existing or hereafter arising, and all interest and fees that accrue after the commencement by or against any Seller or Guarantor of any Insolvency Proceeding naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding (in each case, whether due or accrued).

" Repurchase Price ": For any Purchased Asset as of any date, an amount equal to the sum of (a) the outstanding Purchase Price as of such date, (b) the accrued and unpaid Price Differential for such Purchased Asset as of such date (as increased by any Future Funding Amounts and any other additional funds advanced in connection with such Purchased Asset), (c) all other amounts due and payable as of such date by any Seller to Buyer under this Agreement or any Repurchase Document, (d) any accrued and unpaid fees and expenses and indemnity amounts and any other amounts owed by any Seller or Guarantor to Buyer or any of its Affiliates under this Agreement or any Repurchase Document and (e) the Exit Fee, if any, applicable to such Purchased Asset on any Early Repurchase Date.

" Requirements of Law ": With respect to any Person or property or assets of such Person and as of any date, all of the following applicable thereto as of such date: all Governing Documents and existing and future laws, statutes, rules, regulations, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including Environmental Laws, ERISA, regulations of the Board of Governors of the Federal Reserve System, and laws, rules and regulations relating to usury, licensing, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other Governmental Authority.

" Reserve Requirement ": For any Pricing Period, the aggregate of the rates (expressed as a decimal fraction) of reserve requirements in effect during such Pricing Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for Eurocurrency funding (currently referred to as " Eurocurrency Liabilities " in Regulation D of such Board of Governors) maintained by Buyer.

" Responsible Officer ": With respect to any Person, the chief executive officer, the chief financial officer, the chief accounting officer, the treasurer or the chief operating officer of such Person or such other officer designated as an authorized signatory in such Person's Governing Documents.

" Retained Interest ": (a) With respect to any Purchased Asset, (i) all duties, obligations and liabilities of the related Seller thereunder, including payment and indemnity obligations, (ii) all obligations of agents, trustees, servicers, administrators or other Persons under the documentation evidencing such Purchased Asset, and (iii) if any portion of the Indebtedness related to such Purchased Asset is owned by another lender or is being retained by a Seller, the interests, rights and obligations under such documentation to the extent they relate to such portion, and (b) with respect to any Purchased Asset with an unfunded commitment on the part of a Seller, all obligations to provide additional funding, contributions, payments or credits, except to the extent otherwise specified in the related Confirmation.

" S&P ": Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or, if Standard & Poor's Ratings Services is no longer issuing ratings, another nationally recognized rating agency reasonably acceptable to Buyer.

" Sanctioned Entity ": (a) A country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, that (in the case of the preceding clauses (a), (b), (c) and this clause (d)) is subject to a country sanctions program administered and enforced by the Office of Foreign Assets Control, or (e) a Person named on the list of Specially Designated Nationals maintained by the Office of Foreign Assets Control.

" Securitized Purchased Asset ": Any Purchased Asset described on Schedule 4 hereto.

" Seller ": Individually and collectively, as the context may require, ACRC Lender W LLC, a Delaware limited liability company, and ACRC Lender W TRS LLC, a Delaware limited liability company.

" Senior Interest ": Either (a) a senior or pari passu participation interest in a Whole Loan, or (b) a senior or pari-passu "A-Note" in an "A/B structure" of a Whole Loan.

" Senior Interest Documents ": For any Senior Interest, the Senior Interest Note together with any co-lender agreements, participation agreements and/or other intercreditor agreements or other documents governing or otherwise relating to such Senior Interest.

" Senior Interest Note ": The original executed promissory note, participation or other certificate or other tangible evidence of a Senior Interest.

" Servicing Agreement ": An agreement entered into by Buyer (if applicable), Sellers and Interim Servicer for the servicing of the Purchased Assets, acceptable to Buyer.

" Servicing File ": With respect to any Purchased Asset, the file retained and maintained by the related Seller or Interim Servicer including the originals or copies of all Mortgage Loan Documents and other documents and agreements relating to such Purchased Asset, including to the extent applicable all servicing agreements, files, documents, records, data bases, computer tapes, insurance policies and certificates, Appraisals, other closing documentation, payment history and other records relating to or evidencing the servicing of such Purchased Asset, which file shall be held by such Seller and/or the Interim Servicer for and on behalf of Buyer.

" Servicing Rights ": All right, title and interest of each Seller, Guarantor or any Affiliate of a Seller or Guarantor in and to any and all of the following: (a) rights to service and collect and make all decisions with respect to the Purchased Assets, (b) amounts received by Seller or any other Person for servicing the Purchased Assets, (c) late fees, penalties or similar payments with respect to the Purchased Assets, (d) agreements and documents creating or evidencing any such rights to service, documents, files and records relating to the servicing of the Purchased Assets, and rights of any Seller or any other Person thereunder, (e) escrow, reserve and similar amounts with respect to the Purchased Assets, (f) rights to appoint, designate and retain any other servicers, sub-servicers, special servicers, agents, custodians, trustees and liquidators with respect to the Purchased Assets, and (g) accounts and other rights to payment related to the Purchased Assets.

" Single Employer Plan ": Any Plan that is not a Multiemployer Plan.

" Solvent ": With respect to any Person at any time, having a state of affairs such that all of the following conditions are met at such time: (a) the fair value of the assets and property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 91(32) of the Bankruptcy Code, (b) the present fair salable value of the assets and property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is

able to realize upon its assets and property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (e) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets and property would constitute unreasonably small capital.

" Specified Affiliate ": Interim Servicer, ACRC Lender C LLC, ACRC Holdings LLC and Pledgor; provided, however, that if any Seller or its Affiliates dissolve or liquidate

ACRC Holdings LLC at any time, then ACRC Holdings LLC shall thereupon cease to be a Specified Affiliate.

" Structuring Fee ": The meaning set forth in the Fee Letter, which definition is incorporated by reference herein.

" Sub-Limit ": The composition of Purchased Assets transferred to Buyer shall at all times meet the following sublimit caps, and no Market Value shall be ascribed to any Purchased Assets:

(a) to the extent that the Market Value ascribed to non-controlling Senior Interests with outstanding Future Funding Amounts would exceed twenty-five percent (25%) of the Maximum Amount;

(b) to the extent that the Market Value ascribed to any one Purchased Asset would exceed twenty-five percent (25%) of the Maximum Amount; and

(c) to the extent that the Market Value ascribed to Purchased Assets, the Type of which consists of hotels, (as determined by Buyer), would exceed fifteen percent (15%) of the Maximum Amount.

" Subsidiary ": With respect to any Person, any corporation, partnership, limited liability company or other entity (heretofore, now or hereafter established) of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership, limited liability company or other entity (without regard to the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, and shall include all Persons the accounts of which are with those of such Person pursuant to GAAP.

" Transaction ": With respect to any Asset, the sale and transfer of such Asset from the related Seller to Buyer pursuant to the Repurchase Documents against the transfer of funds from Buyer to such Seller representing the Purchase Price or any additional Purchase Price for such Asset.

" Transaction Request ": Defined in Section 3.01(a) .

" Transferor ": The applicable seller of an Asset under a Purchase Agreement.

" Type ": With respect to a Mortgaged Property, such Mortgaged Property's classification as one of the following: multifamily, retail, office, industrial, student housing, self-storage and, solely with respect to Core Assets, hotels.

" UCC ": The Uniform Commercial Code as in effect in the State of New York; provided , that, if, by reason of Requirements of Law, the perfection or priority of the security interest in any Purchased Asset is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, " UCC " shall mean the Uniform Commercial Code as in effect

in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority.

" Underlying Loan Documents ": Each of the loan documents and related materials prepared and delivered in connection with a specific Whole Loan.

" Underlying Mortgaged Property ": (i) In the case of any Whole Loan or Senior Interest, the Mortgaged Property securing such Whole Loan, and (ii) in the case of any Mezzanine Loan, the Mortgaged Property that is owned by the Person whose Equity Interest is pledged as collateral security for such Mezzanine Loan.

" Underlying Obligor ": Individually and collectively, as the context may require, the Mortgagor or Mezzanine Borrower and other obligor or obligors under an Asset, including (i) any Person that has not signed the related Mortgage Note but owns an interest in the related Underlying Mortgaged Property, which interest has been encumbered to secure such Asset, and (ii) any other Person who has assumed or guaranteed the obligations of such Mortgagor under the Mortgage Loan Documents relating to an Asset.

" Underwriting Package ": With respect to one or more Assets, the internal document or credit committee memorandum (redacted to protect confidential information) setting forth all material information relating to an Asset which is known by the applicable Seller, prepared by such Seller for its evaluation of such Asset, to include at a minimum all the information required to be set forth in the relevant Confirmation or, in the alternative, materials of a like kind that would typically be provided by a loan originator to a nationally recognized statistical rating organization in connection with a collateral debt obligation or commercial mortgage-backed securities offering acceptable in Buyer's discretion. In addition, the Underwriting Package shall include all of the following, to the extent applicable and available:

(a) copies of all Mortgage Loan Documents (provided that in the case of a Wet Mortgage Asset, the Underwriting Package delivered in connection with a Transaction Request under Section 3.01(a) shall provide .pdf copies of all such Mortgage Loan Documents to the extent available at such time, including substantially final drafts of any documents that will constitute Mortgage Loan Documents upon their execution, together with a pledge by the related Seller to forward final, signed Mortgage Loan Documents within five (5) Business Days after the related Purchase Date); and

(b) all Mortgage Loan Documents required to be delivered to Custodian under Section 2.01 of the Custodial Agreement, (b) an Appraisal, (c) the current occupancy report, tenant stack and rent roll, (d) if and to the extent available after the exercise of reasonable effort by the related Seller, at least two (2) years of property-level financial statements, (e) the current financial statement of the Underlying Obligor, (f) the mortgage asset file described in the Custodial Agreement, (g) third-party reports and agreed-upon procedures, letters and reports (whether drafts or final forms), site inspection reports, market studies and other due diligence materials prepared by or on behalf of or delivered to the applicable Seller, (h) if and to the extent available after the exercise of reasonable effort by such Seller, aging of accounts receivable and accounts payable, (i) copies of Mortgage Loan Documents, (j) such further documents or information as Buyer may

request, (k) any and all agreements, documents, reports, or other information concerning the Purchased Assets (including, without limitation, all of the related Mortgage Loan Documents) received or obtained in connection with the origination of the Purchased Assets, (l) any other material documents or reports concerning the Purchased Assets prepared or executed by the applicable Seller or Guarantor, and (m) all documents, instruments and agreement received in respect of the closing of the acquisition transaction under the Purchase Agreement.

" Waterfall Account ": A segregated non-interest bearing account established at Waterfall Account Bank, in the name of the Sellers, pledged to Buyer and subject to a Controlled Account Agreement.

" Waterfall Account Bank ": Wells Fargo Bank, National Association, or any other bank approved by Buyer.

" Wet Funding ": A Transaction for which the applicable Seller has delivered to Buyer a Transaction Request pursuant to Section 3.01(g) .

" Wet Mortgage Asset ": An Eligible Asset for which the applicable Seller has delivered a Transaction Request pursuant to Section 3.01(g) hereof, and for which a complete Mortgage Asset File has not been delivered to Custodian prior to the related Purchase Date.

" Whole Loan : A performing first priority commercial real estate whole loan for which the Underlying Mortgage Property has fully stabilized, as determined by Buyer.

Section 2.01 Rules of Interpretation . Headings are for convenience only and do not affect interpretation. The following rules of this Section 2.01 apply unless the context requires otherwise. The singular includes the plural and conversely. A gender includes all genders. Where a word or phrase is defined, its other grammatical forms have a corresponding meaning. A reference to an Article, Section, Subsection, Paragraph, Subparagraph, Clause, Annex, Schedule, Appendix, Attachment, Rider or Exhibit is, unless otherwise specified, a reference to an Article, Section, Subsection, Paragraph, Subparagraph or Clause of, or Annex, Schedule, Appendix, Attachment, Rider or Exhibit to, this Agreement, all of which are hereby incorporated herein by this reference and made a part hereof. A reference to a party to this Agreement or another agreement or document includes the party's permitted successors, substitutes or assigns. A reference to an agreement or document is to the agreement or document as amended, modified, novated, supplemented or replaced, except to the extent prohibited by any Repurchase Document. A reference to legislation or to a provision of legislation includes a modification, codification, replacement, amendment or reenactment of it, a legislative provision substituted for it and a rule, regulation or statutory instrument issued under it. A reference to writing includes a facsimile or electronic transmission and any means of reproducing words in a tangible and permanently visible form. A reference to conduct includes an omission, statement or undertaking, whether or not in writing. A Default or Event of Default exists until it has been cured or waived in writing by Buyer. The words "hereof," "herein," "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement, unless the context clearly requires or the language provides otherwise. The word "including" is not limiting and means "including without limitation." The word "any" is not limiting and

means “any and all” unless the context clearly requires or the language provides otherwise. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.” The words “will” and “shall” have the same meaning and effect. A reference to day or days without further qualification means calendar days. A reference to any time means New York time. This Agreement may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their respective terms. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed in accordance with GAAP, and all accounting determinations, financial computations and financial statements required hereunder shall be made in accordance with GAAP, without duplication of amounts, and on a consolidated basis with all Subsidiaries. All terms used in Articles 8 and 9 of the UCC, and used but not specifically defined herein, are used herein as defined in such Articles 8 and 9. A reference to “fiscal year” and “fiscal quarter” means the fiscal periods of the applicable Person referenced therein. A reference to an agreement includes a security interest, guarantee, agreement or legally enforceable arrangement whether or not in writing. A reference to a document includes an agreement (as so defined) in writing or a certificate, notice, instrument or document, or any information recorded in computer disk form. Whenever a Person is required to provide any document to Buyer under the Repurchase Documents, the relevant document shall be provided in writing or printed form unless Buyer requests otherwise. At the request of Buyer, the document shall be provided electronically or both printed and electronically. The Repurchase Documents are the result of negotiations between the Parties, have been reviewed by counsel to Buyer and counsel to each Seller, and are the product of both Parties. No rule of construction shall apply to disadvantage one Party on the ground that such Party proposed or was involved in the preparation of any particular provision of the Repurchase Documents or the Repurchase Documents themselves. Except where otherwise expressly stated, Buyer may give or withhold, or give conditionally, approvals and consents, and may form opinions and make determinations, in its sole and absolute discretion subject in all cases to the implied covenant of good faith and fair dealing. Reference in any Repurchase Document to Buyer’s discretion, shall mean, unless otherwise expressly stated herein or therein, Buyer’s sole and absolute discretion, and the exercise of such discretion shall be final and conclusive. In addition, whenever Buyer has a decision or right of determination, opinion or request, exercises any right given to it to agree, disagree, accept, consent, grant waivers, take action or no action or to approve or disapprove (or any similar language or terms), or any arrangement or term is to be satisfactory or acceptable to or approved by Buyer (or any similar language or terms), the decision of Buyer with respect thereto, except where otherwise expressly stated, shall be in the sole and absolute discretion of Buyer, and such decision shall be final and conclusive subject in all cases to the implied covenant of good faith and fair dealing.

ARTICLE 3

THE TRANSACTIONS

Section 3.01 Procedures .

(a) From time to time during the Funding Period, a Seller may request Buyer to enter into a proposed Transaction by sending Buyer a notice substantially in the form of Exhibit A (" Transaction Request ") (i) describing the Transaction and each proposed Asset and any related Underlying Mortgaged Property and other security therefor in reasonable detail, (ii) transmitting a complete Underwriting Package for each proposed Asset, and (iii) specifying which (if any) of the representations and warranties of such Seller set forth in this Agreement (including in Schedule 1 applicable to the Class of such Asset) such Seller will be unable to make with respect to such Asset. Such Seller shall promptly deliver to Buyer any supplemental materials requested at any time by Buyer. Buyer shall conduct such review of the Underwriting Package and each such Asset as Buyer determines appropriate. Buyer shall determine whether or not it is willing to purchase any or all of the proposed Assets, and if so, on what terms and conditions. It is expressly agreed and acknowledged that Buyer is entering into the Transactions on the basis of all such representations and warranties and on the completeness and accuracy of the information contained in the applicable Underwriting Package, and any incompleteness or inaccuracies in the related Underwriting Package will only be acceptable to Buyer if disclosed in writing to Buyer by such Seller in advance of the related Purchase Date, and then only if Buyer opts to purchase the related Purchased Asset from such Seller notwithstanding such incompleteness and inaccuracies. In the event of a Representation Breach, the applicable Seller shall within three (3) Business Days after notice repurchase the related Asset or Assets in accordance with Section 3.05 .

(b) Buyer shall give the related Seller notice of the date when Buyer has received a complete Underwriting Package and supplemental materials. Buyer shall approve or disapprove in writing any proposed Asset, within ten (10) Business Days after such date. If Buyer has not communicated such decision to such Seller by such date, Buyer shall automatically and without further action be deemed to have determined not to purchase any such Asset.

(c) If Buyer communicates to the related Seller a final non-binding determination that it is willing to purchase any or all of such Assets, such Seller shall deliver to Buyer an executed preliminary Confirmation for such Transaction, describing each such Asset and its proposed Purchase Date, Market Value, Applicable Percentage, Purchase Price and such other terms and conditions as Buyer may require. If Buyer requires changes to the preliminary Confirmation, the related Seller shall make such changes and re-execute the preliminary Confirmation. If Buyer determines to enter into the Transaction on the terms described in the preliminary Confirmation, Buyer shall execute and return the same to such Seller at the time that Buyer pays the related Purchase Price to applicable Seller, which shall thereupon become effective as the Confirmation of the Transaction. Buyer's approval of the purchase of an Asset on such terms and conditions as Buyer may require shall be evidenced only by its execution and delivery of the related Confirmation. For the avoidance of doubt, Buyer shall not (i) be bound by any preliminary or final non-binding determination referred to above, or (ii) be obligated to

purchase an Asset notwithstanding a Confirmation executed by the Parties unless and until all applicable conditions precedent in Article 6 have been satisfied or waived by Buyer.

(d) Each Confirmation, together with this Agreement, shall be conclusive evidence of the terms of the Transaction covered thereby, and shall be construed to be cumulative to the extent possible. If terms in a Confirmation are inconsistent with terms in this Agreement with respect to a particular Transaction, the Confirmation shall prevail. Whenever the Applicable Percentage or any other term of a Transaction (other than the Pricing Rate, Market Value and outstanding Purchase Price) with respect to an Asset is revised or adjusted in accordance with this Agreement, an amended and restated Confirmation reflecting such revision or adjustment and that is otherwise acceptable to the Parties shall be prepared by the related Seller and executed by the Parties.

(e) The fact that Buyer has conducted or has failed to conduct any partial or complete examination or any other due diligence review of any Asset or Purchased Asset shall in no way affect any rights Buyer may have under the Repurchase Documents or otherwise with respect to any representations or warranties or other rights or remedies thereunder or otherwise, including the right to determine at any time that such Asset or Purchased Asset is not an Eligible Asset.

(f) No Transaction shall be entered into if (i) any Margin Deficit, Default or Event of Default exists or would exist as a result of such Transaction, (ii) the Repurchase Date for the Purchased Assets subject to such Transaction would be later than the Facility Termination Date, or (iii) after giving effect to such Transaction, the aggregate Repurchase Price of all Purchased Assets subject to Transactions then outstanding would exceed the Maximum Amount.

(g) In addition to the foregoing provisions of this Section 3.01 , solely with respect to any Wet Mortgage Asset, a copy of the related Transaction Request shall be delivered by the related Seller to Bailee no later than 12:00 noon (New York City time) one (1) Business Day prior to the requested Purchase Date, to be held in escrow by Bailee on behalf of Buyer pending finalization of the Transaction.

(h) Notwithstanding any of the foregoing provisions of this Section 3.01 or any contrary provisions set forth in the Custodial Agreement, solely with respect to any Wet Mortgage Asset:

(i) by 12:00 noon (New York City time) on the Purchase Date, the related Seller or Bailee shall deliver signed .pdf copies of the Mortgage Loan Documents to Custodian via electronic mail, and such Seller shall deliver the appropriate written third-party wire transfer instructions to Buyer;

(ii) not later than 12:00 noon (New York City time) on the Purchase Date, (A) Bailee shall deliver an executed .pdf copy of the Bailee Agreement to related Seller, Buyer and Custodian by electronic mail and (B) if Buyer has previously received the Trust Receipt in accordance with Section 3.01(b) of the Custodial Agreement, determined that all other applicable conditions in Section 6.02 hereof have been satisfied, and otherwise has agreed to purchase the related Wet Mortgage Asset, Buyer shall (I) execute

and deliver a .pdf copy of the related Confirmation to the related Seller and Bailee via electronic mail and (II) wire funds in the amount of the Purchase Price for the related Wet Mortgage Asset in accordance with the wire transfer instructions that were previously delivered to Buyer by such Seller; and

(iii) within five (5) Business Days after the applicable Purchase Date with respect to any Wet Mortgage Asset, the related Seller shall deliver, or cause to be delivered (A) to Custodian, the complete original Mortgage Asset File with respect to such Wet Mortgage Asset, pursuant to and in accordance with the terms of the Custodial Agreement, and (B) to Buyer, the complete original Underwriting Package with respect to the related Wet Mortgage Assets purchased by Buyer; provided , that, if Buyer's diligence review of the related Mortgage Asset File requires the delivery of a mortgage file, document or instrument or the equivalent that such Seller cannot deliver, or cause to be delivered, to Custodian at the time they are required to be delivered, solely because of a delay caused by the public recording office where such document or instrument has been delivered for recordation, the delivery requirements set forth in this Agreement and the Custodial Agreement shall be deemed to have been satisfied as to such non-delivered Mortgage Asset File, document or instrument if a copy thereof (certified by such Seller to be a true and complete copy of the original thereof submitted for recording) is delivered to Custodian on or before the date on which such original is required to be delivered, and either the original of such non-delivered document or instrument, or a photocopy thereof, with evidence of recording thereon, is delivered to Custodian within ninety (90) days of the related Purchase Date, and, provided , further , that Buyer may, but is not obligated to, consent to a later date for delivery of any part of the Mortgage Asset File in its sole discretion.

Section 3.02 Transfer of Purchased Assets; Servicing Rights . On the Purchase Date for each Purchased Asset, and subject to the satisfaction of all applicable conditions precedent in Article 6 , (a) ownership of and title to such Purchased Asset shall be transferred to and vest in Buyer or its designee against the simultaneous transfer of the Purchase Price to the account of the related Seller specified in Annex 1 (or if not specified therein, in the related Confirmation or as directed by such Seller), and (b) such Seller hereby sells, transfers, conveys and assigns to Buyer on a servicing-released basis all of such Seller's right, title and interest (but no Retained Interests) in and to such Purchased Asset, together with all related Servicing Rights. Subject to this Agreement, during the Funding Period a Seller may sell to Buyer, repurchase from Buyer and re-sell Eligible Assets to Buyer, but may not substitute other Eligible Assets for Purchased Assets. Buyer has the right to designate the servicer of the Purchased Assets; the Servicing Rights and other servicing provisions under this Agreement are not severable from or to be separated from the Purchased Assets under this Agreement; and, such Servicing Rights and other servicing provisions of this Agreement constitute (a) "related terms" under this Agreement within the meaning of Section 101(47)(A)(i) of the Bankruptcy Code and/or (b) a security agreement or other arrangement or other credit enhancement related to the Repurchase Documents.

Section 3.03 Maximum Amount . The aggregate outstanding Purchase Price for all Purchased Assets as of any date shall not exceed the Maximum Amount. If such aggregate outstanding Purchase Price exceeds the Maximum Amount, Sellers shall immediately pay to

Buyer an amount necessary to reduce such aggregate outstanding Purchase Price to an amount equal to or less than the Maximum Amount. Once per calendar year, so long as no Default or Event of Default has occurred and is continuing, Sellers shall have the option to reduce the Maximum Amount at their discretion without premium or penalty to an amount no less than the then-outstanding aggregate Purchase Price upon three (3) Business Days advance notice to Buyer. In addition, the Maximum Amount shall be automatically reduced to the outstanding aggregate Purchase Price plus the amount of any remaining unfunded Buyer commitments set forth on all outstanding Confirmations as of the Initial Facility Termination Date.

Section 3.04 Early Repurchase Date; Mandatory Repurchases .

(a) The applicable Seller may terminate any Transaction with respect to any or all Purchased Assets sold by such Seller and repurchase such Purchased Assets on any date prior to the Repurchase Date (an " Early Repurchase Date "); provided , that (a) such Seller irrevocably notifies Buyer at least three (3) Business Days before the proposed Early Repurchase Date identifying the Purchased Asset(s) to be repurchased and the Repurchase Price thereof, (b) such Seller delivers a certificate from a Responsible Officer of such Seller in form and substance satisfactory to Buyer certifying that no Margin Deficit, Default or Event of Default exists or would exist as a result of such repurchase and there are no other Liens on the Purchased Assets or Pledged Collateral other than Buyer's Lien, unless all such Liens are satisfied in full on or before the related Early Repurchase Date (c) if the Early Repurchase Date is not a Remittance Date, such Seller pays to Buyer any amount due under Section 12.03 and pays all amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement, (d) such Seller pays to Buyer the related (if any) Exit Fee due and payable, but no such Exit Fee shall be due and payable if the related repurchase occurs in connection with an Exempted Transaction, and (e) such Seller thereafter complies with Section 3.05 . Such early terminations and repurchases shall be limited to three (3) occurrences in any calendar week.

(b) In addition to other rights and remedies of Buyer under any Repurchase Document, the applicable Seller shall within two (2) Business Days repurchase any Purchased Asset that no longer qualifies as an Eligible Asset, as determined by Buyer.

(c) In addition to the foregoing, in connection with each repurchase made pursuant to Section 3.04(a) , if such repurchase occurs at any time after (i) the initial Facility Termination Date but prior to the first Extended Facility Termination Date, the applicable Seller shall pay an amount equal to 110% of the applicable Repurchase Price otherwise payable for such date and (ii) the first Extended Facility Termination Date, such Seller shall pay an amount equal to 125% of the applicable Repurchase Price otherwise payable for such date; provided, however, if (x) at the time of any repurchase during the time period described in clause (i) above, there are at least seven (7) remaining Purchased Assets and each of them comply with the applicable PPV Test and Debt Yield Test, or (y) if at the time of any repurchase during the time period described in clause (ii) above, (i) the Debt Yield for all of the remaining Purchased Assets, calculated on an aggregate basis, equals or exceeds twelve and one-half percent (12.5%), and (ii) PPV Ratio for all of the remaining Purchased Assets, calculated on an aggregate basis, is less than or equal to forty-five percent (45%), then the amount payable pursuant to the applicable clause shall be solely the applicable Repurchase Price for such date. The proceeds of any payment made pursuant to this Section 3.04(c) in excess of the Applicable Repurchase Price that

otherwise would have been payable shall be applied by Buyer first to repay any outstanding Margin Deficits, and second to reduce the unpaid Repurchase Prices of all remaining Purchased Assets on a pro rata basis, unless such Seller and Buyer otherwise agree to apply any such amounts differently.

(d) In addition, at any time during the existence of an uncured Event of Default or an unsatisfied Margin Deficit, if a Seller elects to repurchase a Purchased Asset due to the prepayment in whole (but not in part) of the underlying Whole Loan, such Seller shall pay to Buyer one-hundred percent (100%) of the net proceeds due in connection with the payoff of the underlying Purchased Asset in question, up to the amount of funds necessary to both cure the Event of Default and/or unsatisfied Margin Deficit (and pay in full the Repurchase Price for such Purchased Asset). All such net proceeds in excess of the outstanding Repurchase Price of the related Purchased Asset shall be applied first to any other Purchased Asset to the extent of any Margin Deficit, and then pro-rata to the Repurchase Prices of all other Purchased Assets, unless such Seller and Buyer otherwise agree to apply such amount differently, and if such application has served to fully cure all outstanding Defaults or Events of Default and pay to Buyer any other amounts due and payable under the Repurchase Documents, then any remaining amounts to such Seller.

Section 3.05 Repurchase . On the Repurchase Date for each Purchased Asset, the applicable Seller shall transfer to Buyer the Repurchase Price for such Purchased Asset as of the Repurchase Date, and pay all amounts due to any Affiliated Hedge Counterparty under the related Interest Rate Protection Agreement and, so long as no Event of Default has occurred and is continuing, Buyer shall transfer to such Seller such Purchased Asset on a servicing released basis, whereupon the Transaction with respect to such Purchased Asset shall terminate. So long as no Event of Default has occurred and is continuing, Buyer shall be deemed to have simultaneously released its security interest in such Purchased Asset, shall authorize Custodian to promptly release to the applicable Seller the Mortgage Asset File for such Purchased Asset, and Buyer shall execute, acknowledge and deliver to the related Seller, at such Seller's sole expense, any and all documents, instruments and agreements necessary to release all security interests in such Purchased Asset, including, to the extent any UCC financing statement filed against such Seller specifically identifies such Purchased Asset, an amendment thereto or termination thereof evidencing the release of such Purchased Asset from Buyer's security interest therein; provided , however , that whether or not an Event of Default has occurred and is continuing hereunder, Buyer shall be required to release the Mortgage Asset File relating to a Purchased Asset and execute, acknowledge and deliver to the related Seller, at such Seller's sole expense, all necessary release documents if (a) the Underlying Obligor has paid the entire principal amount of the underlying Whole Loan and all other amounts due to Seller under the related Mortgage Loan Documents and (b) such Seller makes the required prepayment of the underlying Whole Loan in respect of such Purchased Asset hereunder in accordance with Section 5.02 . Any such transfer or release shall be without recourse to Buyer and without representation or warranty by Buyer, except that Buyer shall represent to the related Seller, to the extent that good title was transferred and assigned by such Seller to Buyer hereunder on the related Purchase Date, that Buyer is the sole owner of such Purchased Asset, free and clear of any other interests or Liens caused by Buyer's actions or inactions. Any Income with respect to such Purchased Asset received by Buyer or Waterfall Account Bank after payment of the Repurchase Price therefor shall be remitted to the applicable Seller. Notwithstanding the

foregoing, on or before the Facility Termination Date, the applicable Seller shall repurchase all Purchased Assets by paying to Buyer the outstanding Repurchase Price therefor and all other outstanding Repurchase Obligations. Notwithstanding any provision to the contrary contained elsewhere in any Repurchase Document, at any time during the existence of an uncured Default or Event of Default, the related Seller cannot repurchase a Purchased Asset in connection with a full payoff of the underlying Whole Loan by the Underlying Obligor, unless one-hundred percent (100%) of the net proceeds due in connection with the relevant payoff shall be paid directly to Buyer. The portion of all such net proceeds in excess of the then-current Repurchase Price of the related Purchased Asset shall be applied by Buyer to reduce any other amounts due and payable to Buyer under this Agreement.

Section 3.06 Extension of the Facility Termination Date . At the request of Sellers delivered to Buyer no earlier than ninety (90) days or later than thirty (30) days before the Facility Termination Date, Buyer shall grant two (2) extensions of the Facility Termination Date for a period of one (1) year each (each, an " Extended Facility Termination Date ") by giving notice approving such extension and the Extended Facility Termination Date to Sellers before the expiration of the then-current Facility Termination Date. The failure of Buyer to so deliver such notice approving the extension shall be deemed to be Buyer's determination not to extend the Facility Termination Date unless Buyer thereafter gives notice to the contrary. Any extension of the Facility Termination Date shall be subject to the following: (i) no Default or Event of Default exists on the date of the request to extend and as of the current Facility Termination Date, (ii) no Margin Deficit shall be outstanding on the date of the request to extend and as of the current Facility Termination Date, (iii) each Seller has made a timely request for the extension in question, (iv) each Purchased Asset shall be in compliance with the Debt Yield Test and the PPV Test as required on the date of the request to extend and as of the current Facility Termination Date (but in the case of compliance with the PPV Test, subject to each Seller's cure rights set forth in Section 3.07(b)), and which compliance shall be determined by Buyer in its sole discretion, (v) all Purchased Assets must qualify as Eligible Assets on the date of the request to extend and as of the current Facility Termination Date, and (vi) the payment by Sellers to Buyer of the Extension Fee has been effected on or before the current Facility Termination Date; provided that (A) if any Default, Event of Default or outstanding Margin Deficit exists, Buyer shall grant Sellers a temporary extension not to exceed the time permitted to cure/satisfy such Default, Event of Default or Margin Deficit set forth in the Repurchase Documents, and (B) if any Seller is not in compliance with any of the conditions set forth in clauses (i), (ii), (iv) and (v) on the date of the related extension request, such request may be submitted by Sellers, setting forth any conditions to extension of the Facility Termination Date that are not in compliance and the reasons for such non-compliance, and such request shall be granted by Buyer if, as of the Facility Termination Date for which such request is submitted, each Seller certifies to Buyer's satisfaction that it is in compliance with each of the conditions set forth in this Section 3.06 . No additional Transactions shall be entered into after the Initial Facility Termination Date.

In connection with each extension of the Facility Termination Date, if any unfunded commitments in respect of any Purchased

Asset remain outstanding on the Facility Termination Date so extended, the applicable Seller may request funding of such unfunded commitments subject to all terms and conditions of funding set forth in this Agreement, including review and approval by Buyer of such funding based on an updated Underwriting Package, in an aggregate amount not to exceed, for any such Purchased Asset, the product of (x)

the Applicable Percentage attributable to such Purchased Asset and (y) the amount of unfunded commitments remaining available in respect of such Purchased Asset at such time; provided that in no event shall any amounts so funded by Buyer cause the aggregate amounts funded hereunder to exceed the Maximum Amount.

Section 3.07 Prepayment .

(a) Partial Prepayment . On any Business Day, on three (3) Business Days' prior written notice from the applicable Seller to Buyer, such Seller may partially pay the Repurchase Price of any Purchased Asset, which shall include any related amounts then due and owing to an Affiliated Hedge Counterparty (any such asset, a " Partially Repaid Purchased Asset " and the amount so repaid, the " Partial Payment Amount "). With respect to such payment that is not occasioned by a repayment of principal with respect to the Purchased Asset, such Seller shall give Buyer at least three (3) Business Days prior notice of payment and shall not partially pay in an amount whereby the remaining Purchase Price of any such Purchased Asset, after giving effect to any such partial payment, is less than $500,000. In respect of any Partially Repaid Purchased Asset, the applicable Seller may request, on no less than one (1) Business Day's prior written notice to Buyer, that Buyer pay to such Seller the Partial Payment Amount in respect of such Partially Repaid Purchased Asset. If any such request is delivered to Buyer less than ninety (90) days after Buyer's initial approval to purchase such Purchased Asset from such Seller, Buyer shall pay to such Seller the Partial Payment Amount in respect of such Partially Repaid Purchased Asset. If any such request is delivered to Buyer ninety (90) or more days after Buyer's initial approval to purchase such Purchased Asset from such Seller, Buyer may, in its discretion either decline such request in its entirety, or accept such request in whole or in part and pay to such Seller none, all or part of the Partial Payment Amount in respect of such Partially Repaid Purchased Asset, subject to any terms or conditions Buyer may, in its discretion, require. Any prepayment made under this Section shall be deposited directly into the General Repo Account and, notwithstanding any provision in Section 5.02 to the contrary, applied by Buyer to reduce the unpaid Repurchase Price of the related Purchased Asset within one (1) Business Day after deposit therein, and not, for the avoidance of doubt, on the next Remittance Date.

(b) Prepayments in connection with Extended Facility Termination Date . If the Maximum PPV requirement is not satisfied as of any proposed Extended Facility Termination Date, the related Seller shall have the right to prepay a portion of the Repurchase Price of any Purchased Asset for which the PPV is higher than the Maximum PPV applicable to such proposed Extended Facility Termination Date such that compliance with the applicable required Maximum PPV is obtained. If, following such remedial action by such Seller, Buyer determines that the Maximum PPV applicable to such Extended Facility Termination Date is not satisfied, such Seller may challenge such determination in accordance with the dispute resolution procedures set forth in Schedule 3 hereto based upon new Appraisals obtained at such Seller's sole cost and expense and dated no earlier than ninety (90) days prior to Buyer's determination that the Maximum PPV is not satisfied; provided that, for the avoidance of doubt, any such dispute period shall not limit any other rights or privileges of Buyer.

Section 3.08 Payment of Price Differential and Fees .

(a) Notwithstanding that Buyer and each Seller intend that the Transactions hereunder be sales to Buyer of the Purchased Assets, each Seller shall pay to Buyer the accrued value of the Price Differential for each Purchased Asset on each Remittance Date. Buyer shall give the applicable Seller notice of the Price Differential and any fees and other amounts due under the Repurchase Documents on or prior to the second (2nd) Business Day preceding each Remittance Date; provided , that Buyer's failure to deliver such notice shall not affect such Seller's obligation to pay such amounts. If the Price Differential includes any estimated Price Differential, Buyer shall recalculate such Price Differential after the Remittance Date and, if necessary, make adjustments to the Price Differential amount due on the following Remittance Date.

(b) Sellers shall pay to Buyer all fees and other amounts as and when due as set forth in this Agreement including, without limitation:

(i) the Non-Utilization Fee, which shall be due and payable by Sellers and Guarantor monthly in arrears as set forth in the Fee Letter.

(ii) the Structuring Fee, which shall be due and payable by Sellers and Guarantor on the Original Closing Date.

(iii) the Extension Fee, which shall be due and payable by Sellers and Guarantor on or before the first day of each extension of the Facility Termination Date.

Section 3.09 Payment, Transfer and Custody .

(a) Unless otherwise expressly provided herein, all amounts required to be paid or deposited by any Seller, Guarantor or any other Person under the Repurchase Documents shall be paid or deposited in accordance with the terms hereof no later than 3:00 p.m. on the day when due, in immediately available Dollars and without deduction, setoff or counterclaim, and if not received before such time shall be deemed to be received on the next Business Day. Whenever any payment under the Repurchase Documents shall be stated to be due on a day other than a Business Day, such payment shall be made on the next following Business Day, and such extension of time shall in such case be included in the computation of such payment. Each Seller, Guarantor and Pledgor shall, to the extent permitted by Requirements of Law, pay to Buyer interest in connection with any amounts not paid when due under the Repurchase Documents, which interest shall be calculated at a rate equal to the LIBO Rate plus the Pricing Margin plus 350 basis points, until all such amounts are received in full by Buyer. Amounts payable to Buyer and not otherwise required to be deposited into the Waterfall Account shall be deposited into the General Repo Account. Sellers shall have no rights in, rights of withdrawal from, or rights to give notices or instructions regarding Buyer's account or the Waterfall Account or any Collection Account. Amounts in the Waterfall Account and/or any Collection Account may be invested at the direction of Buyer in cash equivalents before they are distributed in accordance with Article 5 .

(b) Any Mortgage Loan Documents not delivered to Buyer or Custodian are and shall be held in trust by the applicable Seller or its agent for the benefit of Buyer as the

owner thereof. The related Seller or its agent shall maintain a copy of the Mortgage Loan Documents and the originals of the Mortgage Loan Documents not delivered to Buyer or Custodian. The possession of Mortgage Loan Documents by the applicable Seller or its agent is in a custodial capacity only at the will of Buyer for the sole purpose of assisting Interim Servicer with its duties under the Servicing Agreement. Each Mortgage Loan Document retained or held by a Seller or its agent shall be segregated on such Seller's books and records from the other assets of such Seller or its agent, and the books and records of such Seller or its agent shall be marked to reflect clearly the sale of the related Purchased Asset to Buyer on a servicing-released basis. Each Seller or its agent shall release its custody of the Mortgage Loan Documents only in accordance with written instructions from Buyer, unless such release is required as incidental to the servicing of the Purchased Assets by Interim Servicer or is in connection with a repurchase of any Purchased Asset by a Seller, in each case in accordance with the Custodial Agreement.

Section 3.10 Repurchase Obligations Absolute . All amounts payable by Sellers under the Repurchase Documents shall be paid without notice, demand, counterclaim, setoff, deduction or defense (as to any Person and for any reason whatsoever) and without abatement, suspension, deferment, diminution or reduction (as to any Person and for any reason whatsoever), and the Repurchase Obligations shall not be released, discharged or otherwise affected, except upon indefeasible payment in full or as otherwise expressly provided herein, by reason of: (a) any damage to, destruction of, taking of, restriction or prevention of the use of, interference with the use of, title defect in, encumbrance on or eviction from, any Purchased Asset, the Pledged Collateral or related Underlying Mortgaged Property, (b) any Insolvency Proceeding relating to any Seller or any Underlying Obligor, or any action taken with respect to any Repurchase Document or Mortgage Loan Document by any trustee or receiver of a Seller or any Underlying Obligor or by any court in any such proceeding, (c) any claim that a Seller has or might have against Buyer under any Repurchase Document or otherwise (unless such claim relates to the indefeasible payment in full of the Repurchase Obligations), (d) any default or failure on the part of Buyer to perform or comply with any Repurchase Document or other agreement with a Seller, (e) the invalidity or unenforceability of any Purchased Asset, Repurchase Document or Mortgage Loan Document, or (f) any other occurrence whatsoever, whether or not similar to any of the foregoing, and whether or not any Seller has notice or Knowledge of any of the foregoing. The Repurchase Obligations shall be full recourse to each Seller. This Section 3.10 shall survive the termination of the Repurchase Documents and the payment in full of the Repurchase Obligations.

Section 3.11 Future Funding Transactions . Buyer's agreement to enter into any Future Funding Transaction is subject to the satisfaction of the following conditions precedent, both immediately prior to entering into such Future Funding Transaction and also after giving effect to the consummation thereof:

(i) The applicable Seller shall give Buyer written notice of each Future Funding Transaction, together with a signed, written confirmation in the form of Exhibit J attached hereto prior to the related Future Funding Date (each, a " Future Funding Confirmation "), signed by a Responsible Officer of such Seller. Each Future Funding Confirmation shall identify the related Whole Loan and/or Senior Interest, shall identify Buyer and the applicable Seller and shall be executed by both Buyer and

such Seller; provided , however , that Buyer shall not be liable to Seller if it inadvertently acts on a Future Funding Confirmation that has not been signed by a Responsible Officer of Seller. Each Future Funding Confirmation, together with this Agreement, shall be conclusive evidence of the terms of the Future Funding Transaction covered thereby, and shall be construed to be cumulative to the extent possible. If terms in a Future Funding Confirmation are inconsistent with terms in this Agreement with respect to a particular Future Funding Transaction, other than with respect to the Applicable Percentage and Maximum Applicable Percentage set forth in such Future Funding Confirmation, this Agreement shall prevail.

(ii) For each proposed Future Funding Transaction, no less than seven (7) Business Days prior to the proposed Future Funding Date, the applicable Seller shall deliver to Buyer a Future Funding Request Package. Buyer shall have the right to conduct an additional due diligence investigation of the Future Funding Request Package and/or the related Whole Loan and/or Senior Interest as Buyer determines. Prior to the approval of each proposed Future Funding Transaction by Buyer, Buyer shall have determined, in its sole and absolute discretion, that all of the applicable conditions precedent for a Transaction, as described in Section 6.02(b), (e), (f) and (h) have been met by such Seller and that the consummation of the related Future Funding Transaction would not otherwise cause such Seller to breach the Minimum Portfolio Debt Yield Test. In addition thereto, for each proposed Future Funding Transaction which relates to a Non-Securitized Purchased Asset, the related Non-Securitized Purchased Asset shall, immediately before each Future Funding Transaction and immediately after giving effect thereto, satisfy both the Debt Yield Test and the PPV Test. So long as all such conditions have been satisfied, no Default or Event of Default then-currently exist and Buyer has determined, in its sole and absolute discretion, that, if Buyer has not purchased from such Seller a complete ownership interest in the entire related Whole Loan, that all of the terms and conditions relating to the splitting of such Whole Loan into multiple interests are satisfactory to Buyer in all respects, then Buyer shall be required to approve the related Future Funding Transaction on a timely basis.

(iii) Upon the approval by Buyer of a particular Future Funding Transaction, Buyer shall deliver to the related Seller a signed copy of the related Future Funding Confirmation described in clause (i) above, on or before the related Future Funding Date. On the related Future Funding Date, which shall occur no later than three (3) Business Days after the final approval of the Future Funding Transaction by Buyer (a) if an escrow agreement has been established in connection with such Future Funding Transaction, Buyer shall remit the related Future Funding Amount to the related escrow account, (b) if the terms of the Underlying Loan Documents provide for a reserve account in connection with future advances, Buyer shall remit the related Future Funding Amount to the

applicable reserve account, (c) if such Seller has previously paid to the related Underlying Obligor the entire amount that such Seller was then-currently required to pay to such Underlying Obligor, then Buyer shall remit the related Future Funding Amount directly to such Seller, and (d) otherwise, Buyer shall remit the related Future Funding Amount directly to the related Underlying Obligor.

ARTICLE 4

MARGIN MAINTENANCE

Section 4.01 Margin Deficit .

(a) (i) If on any date the Market Value of a Purchased Asset is less than the product of (A) the Margin Percentage times (B) the outstanding Repurchase Price for such Purchased Asset as of such date (the excess, if any, a " Margin Deficit "), and provided a Credit Event relating to such Purchased Asset has occurred, then the related Seller shall, within five (5) Business Days after the receipt of written notice from Buyer (which notice may be by electronic mail) (a " Margin Call ") (i) transfer cash to Buyer, (ii) repurchase Purchased Assets at the Repurchase Price thereof, or (iii) choose any combination of the foregoing, so that, after giving effect to such transfers, repurchases and payments, the aggregate Purchase Price for all Purchased Assets does not exceed an aggregate amount equal to the products of the Market Value for each Purchased Asset, times the Applicable Percentage. Buyer shall apply the funds received in satisfaction of a Margin Deficit with respect to a Purchased Asset to the Repurchase Obligations owing with respect to such Purchased Asset.

(ii) In lieu of a Margin Call pursuant to Section 4.01(a)(i) , Buyer may, in its discretion upon written request of the related Seller, reallocate previous partial prepayments made pursuant to Section 3.07(a) in order to eliminate the related Margin Deficit by increasing the Purchase Price of certain Purchased Assets and decreasing the Purchase Price of other Purchased Assets. Any such request for reallocation shall include a certification by such Seller that no Default or Event of Default has occurred and is continuing (except as would be cured by such reallocation), and shall set forth the following, with such back-up calculations as Buyer may require: (i) the amount of prior partial prepayments and Purchased Assets so prepaid pursuant to Section 3.07(a) that such Seller requests be re-allocated, (ii) the Purchased Asset to which such Seller is requesting such prior partial prepayment be applied, the new Purchase Price of such Purchased Asset and the new Purchase Price of the previously prepaid Purchased Asset, in each case, after giving pro forma effect to such allocation, (iii) the amount of the Margin Deficit on each applicable Purchased Asset both immediately prior to and immediately after giving pro forma effect to such allocation and (iv) that the Debt Yield Test, the PPV Test and the Maximum Applicable Percentage Test will be satisfied immediately after giving pro forma effect to such allocation. Upon Buyer's independent confirmation, in its commercially reasonable judgment, that the conclusions and calculations set forth in the related Seller's written request comply with the requirements set forth above, Buyer may, in its discretion, reallocate previous prepayments to those Purchased Assets for which Margin Deficits would otherwise exist, in a manner acceptable to Buyer in its commercially reasonable judgment and such Seller shall submit new

Confirmations acceptable to Buyer reflecting the new Purchase Price of all affected Purchased Assets.

(b) Notwithstanding the foregoing, in the event the Margin Call arises solely as a result of Buyer's determination of an adverse change in the value of the related Underlying Mortgage Property as described in item (iv) of the definition of the term Credit Event, and if the related Seller disputes in good faith such determination by Buyer, such Seller shall have the right by, within the five (5) Business Day period specified in Section 4.01(a)(i) , giving Buyer written notice of such dispute and depositing with Buyer (in an account within Buyer's sole dominion and control) the full amount of the Margin Deficit and, the parties will proceed to attempt to resolve such dispute within the next forty-five (45) days in accordance with the appraisal procedure set forth in Schedule 1 hereto, provided that, for the avoidance of doubt, any such dispute period shall not limit any other rights or privileges of Buyer. Moreover, in connection with a Margin Call occurring as a result of an event described in clause (v) of the definition of the term Credit Event, the amount required to cure such Margin Deficit shall be limited to the amount necessary to cause the related Purchased Asset to comply with the Debt Yield Test.

(c) Buyer's election not to deliver a Margin Call at any time there is a Margin Deficit shall not waive the Margin Deficit or in any way limit or impair Buyer's right to deliver a Margin Call at any time when the same or any other Margin Deficit exists. Buyer's rights under this Section 4.01 are in addition to and not in lieu of any other rights of Buyer under the Repurchase Documents or Requirements of Law.

(d) All cash transferred to Buyer pursuant to this Section 4.01 with respect to a Purchased Asset shall be deposited into the General Repo Account and notwithstanding any provision in Section 5.02 to the contrary, shall be applied to reduce the Purchase Price of such Purchased Asset within one (1) Business Day after deposit and not, for the avoidance of doubt, on the next Remittance Date.

(e) If the applicable Seller believes in good faith that the Credit Event or underlying circumstances that resulted in the most recent determination of Current Mark-to-Market Value of a Purchased Asset is no longer applicable or that the Market Value resulting from such Credit Event has otherwise materially increased, it may request that Buyer consider reassessing the Market Value of the subject Purchased Asset, and Buyer agrees to do so. If, as a result of such reassessment, Buyer determines, in its discretion, that the Market Value for such Purchased Asset has increased, and has received all required internal credit approvals necessary to do so, the Current Mark-to-Market Value shall be revised accordingly, subject to further adjustment as otherwise provided in this Agreement. Such Seller's requests for Buyer to reassess the Market Value of Purchased Assets shall be limited to one (1) request per Purchased Asset per calendar quarter. Nothing in this Section 4.01 (e) shall be interpreted to in any way reduce or mitigate Buyer's sole power and discretion to determine Market Value or Credit Event.

(f) If on any date within ninety (90) days following the Purchase Date of a particular Purchased Asset (and provided no Default or Event of Default has occurred and is then continuing and no Margin Deficit remains unpaid), either (i) the outstanding Purchase Price of such Purchased Asset has previously been reduced by one or more previous partial prepayments made by a Seller in accordance with Section 3.07 , or (ii) on such Purchase Date, the Purchase

Price of such Purchased Asset was, at such Seller's request, less than the maximum Purchase Price approved by Buyer, as indicated on the related Confirmation, such Seller may deliver a written request to Buyer that Buyer pay to such Seller an amount equal to the amount of either (A) part or all of the partial prepayments described in clause (i) above, and/or (B) part or all of the difference described in clause (ii) above, and Buyer shall pay to such Seller the amount so requested within three (3) Business Days of the date of the related request, so long as, both immediately before and, on a pro forma basis, immediately after the date of each such payment, both the Debt Yield Test and the PPV Test have not been breached. Prior to any such payment, such Seller shall prepare, and the Parties shall execute an amended and restated Confirmation that is otherwise acceptable to the Parties, reflecting such increased Purchase Price.

ARTICLE 5

APPLICATION OF INCOME

Section 5.01 Waterfall Account; Collection Accounts. The Waterfall Account and all Collection Accounts shall be established at Waterfall Account Bank. Buyer shall have sole dominion and control (including, without limitation, "control" within the meaning of Section 9-104(a) of the UCC) over the Waterfall Account. None of any Seller, Interim Servicer or any Person claiming through or under any Seller or Interim Servicer shall have any claim to or interest in the Waterfall Account and all Collection Accounts. Subject to the final sentence of this Section 5.01, all Underlying Obligors and servicers shall be directed to pay all Income directly into the Collection Account, and any Income received by a Seller, Interim Servicer, Buyer or Waterfall Account Bank in respect of the Purchased Assets shall be deposited directly into the Waterfall Account, within two (2) Business Days of receipt, except to the extent expressly set forth in Section 3.07(a), and except, prior to an Event of Default, for all amounts due and payable to Interim Servicer under the Interim Servicing Agreement, which shall be paid directly to Interim Servicer as and when due, shall be applied to and remitted by Waterfall Account Bank in accordance with this Article 5. Notwithstanding the foregoing, each Seller shall, promptly after receiving notice of an Underlying Obligor's intent to make an unscheduled Principal Payment (A) instruct and cause the related Underlying Obligor to directly deposit such unscheduled Principal Payment into the General Repo Account (and in the event that such unscheduled Principal Payment is nonetheless received by the applicable Seller or Interim Servicer, shall forward such funds into the General Repo Account on the Business Day of receipt, unless such payment was received after 1 PM (Central time), in which case the recipient shall use its best efforts to make such transfer on the same Business Day and shall, in all cases, make such transfer on the next Business Day); and within one (1) Business Day of the receipt thereof, Buyer shall apply the each such Principal Payment in accordance with Sections 5.02 and 5.03 below, and (B) provide Buyer with prior notice of the intended receipt thereof from an Underlying Obligor, together with a copy of the related remittance instructions that were previously delivered to the related Underlying Obligor.

Section 5.02 Before an Event of Default. If no Event of Default exists and remains uncured, all Income described in Section 5.01 and deposited into the Waterfall Account during each Pricing Period shall be applied by Waterfall Account Bank by no later than the next following Remittance Date in the following order of priority:

first, to the extent not withheld by Interim Servicer in accordance with Sections 5.01 and 8.06 , to pay to Interim Servicer an amount equal to any accrued and unpaid Servicing Fees in accordance with the terms of the Interim Servicing Agreement;

second , to pay to Buyer an amount equal to the Price Differential accrued with respect to all Purchased Assets as of such Remittance Date;

third , to pay to Buyer an amount equal to all default interest, late fees, fees, expenses and Indemnified Amounts then due and payable from any Seller and other applicable Persons to Buyer under the Repurchase Documents;

fourth , to pay to Buyer an amount sufficient to eliminate any outstanding Margin Deficit (without limiting any Seller's obligation to satisfy a Margin Deficit in a timely manner as required by Section 4.01);

fifth , to pay any custodial fees and expenses due and payable under the Custodial Agreement;

sixth , to pay to Buyer, the Applicable Percentage of any scheduled Principal Payments (to the extent actually deposited into the Waterfall Account), but only to the extent that such remittance would not result in the creation of a Margin Deficit, to be applied to reduce the outstanding Purchase Price of the applicable Purchased Assets or as otherwise agreed in writing by Buyer and the applicable Seller;

seventh , to pay to Buyer any other amounts then due and payable from any Seller and other applicable Persons to Buyer under the Repurchase Documents; and

eighth , to pay to the applicable Seller any remainder for its own account, subject, however, to the covenants and other requirements of the Repurchase Documents; provided that, if any Material Facility Default has occurred and is continuing on such Remittance Date, all amounts otherwise payable to such Seller hereunder shall be retained in the Waterfall Account until the earlier of (x) the day on which Buyer provides written notice to the Waterfall Account Bank that such Material Facility Default has been cured to satisfaction of Buyer in its sole discretion, at which time the Waterfall Account Bank shall apply all such amounts pursuant to this priority *eighth* ; and (y) the day that is ten (10) Business Days after the occurrence of the applicable Material Facility Default, at which time the Waterfall Account Bank shall apply all such amounts pursuant to priorities *sixth* and *seventh* of Section 5.03 .

Section 5.03 After an Event of Default . If an Event of Default exists and remains uncured, all Income deposited into the Waterfall Account in respect of the Purchased Assets shall be applied by Waterfall Account Bank, on the second Business Day following the date on which each amount of Income is so deposited, in the following order of priority:

first , to pay to Buyer an amount equal to the Price Differential accrued with respect to all Purchased Assets as of such date;

second , to pay to Buyer an amount equal to all default interest, late fees, fees, expenses and Indemnified Amounts then due and payable from any Seller and other applicable Persons to Buyer under the Repurchase Documents;

third , to pay any custodial fees and expenses due and payable under the Custodial Agreement;

fourth , to pay to Buyer an amount equal to the aggregate Repurchase Price of all Purchased Assets (to be applied in such order and in such amounts as determined by Buyer, until such Purchase Price has been reduced to zero);

fifth , to pay to Interim Servicer, amounts due and payable under the Servicing Agreement;

sixth , to pay to Buyer all other Repurchase Obligations due to Buyer; and

seventh , if all of the Repurchase Obligations have been fully repaid, to pay to the applicable Seller any remainder for its own account, subject, however, to the covenants and other requirements of the Repurchase Documents.

Section 5.04 Sellers to Remain Liable . If the amounts remitted to Buyer as provided in Sections 5.02 and 5.03 are insufficient to pay all amounts due and payable from each Seller to Buyer under this Agreement or any Repurchase Document on a Remittance Date, a Repurchase Date, upon the occurrence of an Event of Default or otherwise, each Seller shall nevertheless remain liable for and shall pay to Buyer when due all such amounts.

ARTICLE 6

CONDITIONS PRECEDENT

Section 6.01 Conditions Precedent to Initial Transaction . Buyer shall not be obligated to enter into any Transaction or purchase any Asset until the following conditions have been satisfied or waived by Buyer, on and as of the Closing Date and the initial Purchase Date:

(a) Buyer has received the following documents, each dated the Closing Date or as of the Closing Date unless otherwise specified: (i) each Repurchase Document duly executed and delivered by the parties thereto, (ii) an official good standing certificate dated a recent date with respect to each Seller, (iii) certificates of the secretary or an assistant secretary of each Seller with respect to attached copies of the Governing Documents and applicable resolutions of each Seller, and the incumbencies and signatures of officers of each Seller executing the Repurchase Documents to which it is a party, evidencing the authority of each Seller with respect to the execution, delivery and performance thereof, (iv) a Closing Certificate, (v) an executed power of attorney of each Seller in the form of Exhibit C , (vi) such opinions from counsel to each Seller as Buyer may reasonably require, including with respect to corporate matters, enforceability, non-contravention, no consents or approvals required other than those that have been obtained, first priority perfected security interests in the Purchased Assets, the Pledged Collateral and any other collateral pledged pursuant to the Repurchase Documents,

Investment Company Act matters, and the applicability of Bankruptcy Code safe harbors, and all other documents, certificates, information, financial statements, reports, approvals and opinions of counsel as it may require;

(b) (i) UCC financing statements have been filed against each Seller and Pledgor in all filing offices required by Buyer, (ii) Buyer has received such searches of UCC filings, tax liens, judgments, pending litigation and other matters relating to any Seller and the Purchased Assets as Buyer may require, and (iii) the results of such searches are satisfactory to Buyer;

(c) Buyer has received payment from Sellers of all fees and expenses then payable under the Fee Letter and the other Repurchase Documents, as contemplated by Section 13.02 ;

(d) Buyer has completed to its satisfaction such due diligence (including, Buyer's "Know Your Customer" and Anti—Terrorism Laws diligence) and modeling as it may require in its discretion;

(e) Buyer has received approval from its internal credit committee and all other necessary approvals required for Buyer, to enter into this Agreement and consummate Transactions hereunder; and

(f) Prior to funding any Purchased Assets, Buyer has received Eligible Assets with a Market Value of at least $15,000,000, it being understood that the acceptance and purchase of such Eligible Assets on the part of Buyer will be deemed to constitute a determination based on the information then-currently available to Buyer that such assets constitute Eligible Assets on and as of the related Purchase Date.

Section 6.02 Conditions Precedent to All Transactions . Buyer shall not be obligated to enter into any Transaction, purchase any Asset, or be obligated to take, fulfill or perform any other action hereunder relating to the prospective purchase of any Asset or to fund any future fundings relating to any existing Purchased Asset, until the following additional conditions have been satisfied or waived by Buyer, with respect to each Asset on and as of the Purchase Date therefor:

(a) Buyer has received the following documents: (i) a Transaction Request, (ii) an Underwriting Package, (iii) a Confirmation, (iv) a trust receipt and other items required to be delivered under the Custodial Agreement, (v) with respect to any Wet Mortgage Asset, a Bailee Agreement, (vi) all other documents, certificates, information, financial statements, reports, approvals and opinions of counsel as Buyer may require and (vii) evidence that each Seller is in good standing in the jurisdiction where the Underlying Mortgaged Property is located, to the extent that such Seller is then-currently required to do so under an applicable Requirement of Law (provided, however, that with respect to any Wet Mortgage Asset, delivery of the foregoing items in accordance with the provisions of Section 3.01(g) and (h) shall be deemed to satisfy the conditions of Section 6.02(a) (unless otherwise determined in the discretion of Buyer));

(b) immediately before such Transaction and after giving effect thereto and to the intended use thereof, no Representation Breach (including with respect to any Purchased Asset), Default, Event of Default, Margin Deficit, or Material Adverse Effect related to any Seller or Guarantor;

(c) Buyer has completed its due diligence review of the Underwriting Package, Mortgage Loan Documents and such other documents, records and information as Buyer deems appropriate, and the results of such reviews are satisfactory to Buyer;

(d) Buyer has (i) determined that such Asset is an Eligible Asset, (ii) approved the purchase of such Asset, (iii) obtained all necessary internal credit and other approvals for such Transaction, and (iv) executed the Confirmation;

(e) the aggregate outstanding Purchase Price of all then existing Transactions does not exceed the Maximum Amount after giving effect to such Transaction;

(f) the Repurchase Date specified in the Confirmation is not later than the Facility Termination Date;

(g) Each Seller, Pledgor and Custodian have satisfied all requirements and conditions and have performed all covenants, duties, obligations and agreements contained in the Repurchase Documents to be performed by such Person on or before the Purchase Date;

(h) to the extent the related Mortgage Loan Documents contain notice, cure and other provisions in favor of a pledgee under a repurchase or warehouse facility, and without prejudice to the sale treatment of such Asset to Buyer, Buyer has received evidence that each Seller has given notice to the applicable Persons of Buyer's interest in such Asset and otherwise satisfied any other applicable requirements under such pledgee provisions so that Buyer is entitled to the rights and benefits of a pledgee under such pledgee provisions;

(i) if requested by Buyer, such opinions from counsel to Sellers, Pledgor and Guarantor as Buyer may require, including, without limitation, with respect to the perfected security interest in the Purchased Assets, the Pledged Collateral and any other collateral pledged pursuant to the Repurchase Document;

(j) Buyer shall have received executed blank assignments of all Mortgage Loan Documents in appropriate form for recording in the jurisdiction in which the underlying real estate is located and executed blank assignments of all Senior Interest Documents other here (the " Blank Assignment Documents "); and

(k) Buyer has received a copy of any Interest Rate Protection Agreement and related documents entered into with respect to such Asset, (ii) each Seller has assigned to Buyer all of such Seller's rights (but none of its obligations) under such Interest Rate Protection Agreement and related documents, and (iii) no termination event, default or event of default (however defined) exists thereunder.

Each Confirmation delivered by a Seller shall constitute a certification by such Seller that all of the conditions precedent in this Article 6 have been satisfied other than those set forth in Sections 6.01(a)(vi) , (d) and (e) and Section 6.02(a)(vii) , (c) and (d) .

The failure of a Seller to satisfy any of the conditions precedent in this Article 6 with respect to any Transaction or Purchased Asset shall, unless such failure was set forth in an exceptions schedule to the relevant Confirmation or otherwise waived in writing by Buyer on or before the related Purchase Date, give rise to the right of Buyer at any time to rescind the related Transaction, whereupon the related Seller shall immediately pay to Buyer the Repurchase Price of such Purchased Asset.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller represents and warrants, on and as of the date of this Agreement, each Purchase Date, and at all times when any Repurchase Document or Transaction is in full force and effect, as follows:

Section 7.01 Sellers . Each Seller has been duly organized and validly exists in good standing as a limited liability company under the laws of the jurisdiction of its incorporation, organization or formation. Each Seller (a) has all requisite power, authority, legal right, licenses and franchises, (b) is duly qualified to do business in all jurisdictions necessary, and (c) has been duly authorized by all necessary action, to (w) own, lease and operate its properties and assets, (x) conduct its business as presently conducted, (y) execute, deliver and perform its obligations under the Repurchase Documents to which it is a party, and (z) acquire, own, sell, assign, pledge and repurchase the Purchased Assets, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect. Each Seller's exact legal name is set forth in the preamble and signature pages of this Agreement. Each Seller's location (within the meaning of Article 9 of the UCC), and the office where each Seller keeps all records (within the meaning of Article 9 of the UCC) relating to the Purchased Assets is at the address of Sellers referred to in Annex 1 . Each Seller has not changed its name within the past twelve (12) months. Each Seller has changed its location to the location shown in Section 7.16 within the past twelve (12) months. Existing Seller's organizational identification number is 5044236 and its tax identification number is 45-3561907. New Seller's organizational identification number is 5447261 and its tax identification number is 80-0966058. Each Seller has no subsidiaries. Each Seller is a wholly-owned Subsidiary of Pledgor. The fiscal year of each Seller is the calendar year. Each Seller has no Indebtedness, Contractual Obligations or Investments other than (a) ordinary trade payables, (b) in connection with Assets acquired or originated for the Transactions, (c) the Repurchase Documents, and (d) ordinary and necessary expenses incurred in connection with any of the activities permitted under Section 9.01(q) or (s) . Each Seller has no Guarantee Obligations.

Section 7.02 Repurchase Documents . Each Repurchase Document to which a Seller is a party has been duly executed and delivered by such Seller and constitutes the legal, valid and binding obligation of such Seller enforceable against such Seller in accordance with its

terms, except as such enforceability may be limited by Insolvency Laws and general principles of equity. The execution, delivery and performance by each Seller of each Repurchase Document to which it is a party do not and will not (a) conflict with, result in a breach of, or constitute (with or without notice or lapse of time or both) a default under, any (i) Governing Document, Indebtedness, Guarantee Obligation or Contractual Obligation applicable to such Seller or any of its properties or assets, (ii) Requirements of Law, or (iii) approval, consent, judgment, decree, order or demand of any Governmental Authority (except where such conflict, breach or default could not reasonably be expected to have a Material Adverse Effect), or (b) result in the creation of any Lien (other than Permitted Liens) on any of the properties or assets of such Seller. All approvals, authorizations, consents, orders, filings, notices or other actions of any Person or Governmental Authority required for the execution, delivery and performance by each Seller of the Repurchase Documents to which it is a party and the sale of and grant of a security interest in each Purchased Asset to Buyer, have been obtained, effected, waived or given and are in full force and effect. The execution, delivery and performance of the Repurchase Documents do not require compliance by any Seller with any "bulk sales" or similar law. There is no material litigation, proceeding or investigation pending or, to the Knowledge of any Seller threatened, against any Seller, Guarantor or any Specified Affiliate before any Governmental Authority (a) asserting the invalidity of any Repurchase Document, (b) seeking to prevent the consummation of any Transaction, or (c) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

Section 7.03 Solvency. None of the Sellers, Guarantor or any Specified Affiliate is or has ever been the subject of an Insolvency Proceeding. Each Seller, Guarantor and each Specified Affiliate other than ACRC Lender C LLC is Solvent and the Transactions do not and will not render such Seller, Guarantor or any Specified Affiliate other than ACRC Lender C LLC not Solvent. Neither Seller is entering into the Repurchase Documents or any Transaction with the intent to hinder, delay or defraud any creditor of a Seller, Guarantor or any Specified Affiliate. Each Seller has received or will receive reasonably equivalent value for the Repurchase Documents and each Transaction. Each Seller has adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. Each Seller is generally able to pay, and as of the date hereof is paying, its debts as they come due.

Section 7.04 Taxes. Each Seller, Guarantor and each Specified Affiliate have filed all required federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and have paid all material taxes (including mortgage recording taxes), assessments, fees, and other governmental charges payable by them, or with respect to any of their properties or assets, which have become due, and income or franchise taxes have been paid or are being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established in accordance with GAAP. Each Seller, Guarantor and each Specified Affiliate have paid, or have provided adequate reserves for the payment of, all such taxes for all prior fiscal years and for the current fiscal year to date. There is no material action, suit, proceeding, investigation, audit or claim relating to any such taxes now pending or, to the Knowledge of Seller, threatened by any Governmental Authority which is not being contested in good faith as provided above. None of the Sellers, Guarantor or any Specified Affiliate have entered into any agreement or waiver or been requested to enter into any agreement or waiver extending any statute of limitations relating to

the payment or collection of taxes, or is aware of any circumstances that would cause the taxable years or other taxable periods of any Seller, Guarantor or any Specified Affiliate not to be subject to the normally applicable statute of limitations. No tax liens have been filed against any assets of any Seller, Guarantor or any Specified Affiliate. Each Seller does not intend to treat any Transaction as being a "reportable transaction" as defined in Treasury Regulation Section 1.6011–4. If either Seller determines to take any action inconsistent with such intention, it will promptly notify Buyer, in which case Buyer may treat each Transaction as subject to Treasury Regulation Section 301.6112–1 and will maintain the lists and other records required thereunder.

Section 7.05 True and Complete Disclosure. The information, reports, certificates, documents, financial statements, operating statements, forecasts, books, records, files, exhibits and schedules furnished by or on behalf of either Seller to Buyer in connection with the Repurchase Documents and the Transactions, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of any Seller to Buyer in connection with the Repurchase Documents and the Transactions will be true, correct and complete in all material respects, or in the case of projections will be based on reasonable estimates prepared and presented in good faith, on the date as of which such information is stated or certified, except that this representation will be made to the best Knowledge of the applicable Seller for all such written information obtained from Persons who are not Affiliates of Seller.

Section 7.06 Compliance with Laws. Each Seller has complied in all respects with all Requirements of Laws, and no Purchased Asset contravenes any Requirements of Law, except in each case where such matters would not be reasonably likely to have a Material Adverse Effect. Neither Seller nor any Affiliate of Seller (a) is an "enemy" or an "ally of the enemy" as defined in the Trading with the Enemy Act of 1917, (b) is in violation of any Anti-Terrorism Laws, (c) is a blocked person described in Section 1 of Executive Order 13224 or to its knowledge engages in any dealings or transactions or is otherwise associated with any such blocked person, (d) is in violation of any country or list based economic and trade sanction administered and enforced by the Office of Foreign Assets Control, (e) is a Sanctioned Entity, (f) has more than 10% of its assets located in Sanctioned Entities, or (g) derives more than 10% of its operating income from investments in or transactions with Sanctioned Entities. The proceeds of any Transaction have not been and will not be used to fund any operations in, finance any investments or activities in or make any payments to a Sanctioned Entity. Each Seller is a "qualified purchaser" as defined in the Investment Company Act. Neither Seller, Guarantor nor any Specified Affiliate (a) is, nor immediately after the application by any Seller of the proceeds of any sale of a Purchased Asset will they be, required to be registered as an "investment company" as defined in the Investment Company Act, (b) is a "broker" or "dealer" as defined in, or could be subject to a liquidation proceeding under, the Securities Investor Protection Act of 1970, or (c) is subject to regulation by any Governmental Authority limiting its ability to incur the Repurchase Obligations. Each Seller and all Affiliates of such Seller are in compliance with the Foreign Corrupt Practices Act of 1977 and any foreign counterpart thereto. Neither Seller nor any Affiliate of any Seller has made, offered, promised or authorized a payment of money or anything else of value (a) in order to assist in obtaining or retaining business for or with, or directing business to, any foreign official, foreign political party, party

official or candidate for foreign political office, (b) to any foreign official, foreign political party, party official or candidate for foreign political office, or (c) with the intent to induce the recipient to misuse his or her official position to direct business wrongfully to any Seller, any Affiliate of a Seller or any other Person, in violation of the Foreign Corrupt Practices Act.

Section 7.07 Compliance with ERISA . With respect to any Seller, Interim Servicer Guarantor or any ERISA Affiliate thereof, during the immediately preceding five (5) year period, (a) neither a Reportable Event nor an "accumulated funding deficiency" nor "an unpaid minimum required contribution" as defined in the Code or ERISA has occurred, (b) each Plan has complied in all material respects with the applicable provisions of the Code and ERISA, (c) no termination of a Single Employer Plan has occurred resulting in any liability that has remained underfunded, and (d) no Lien in favor of the PBGC or a Plan has arisen. The present value of all accumulated benefit obligations under each Single Employer Plan (based on the assumptions used for the purposes of Financial Accounting Statement Bulletin 87) relating to any Seller, Interim Servicer, Guarantor or any ERISA Affiliate thereof did not, as of the last annual valuation date prior to the date hereof, exceed the value of the assets of such Plan allocable to such accumulated benefit obligations. Neither Seller nor any Specified Affiliate is currently subject to any liability for a complete or partial withdrawal from a Multiemployer Plan. Neither Seller nor any Specified Affiliate provide any medical or health benefits to former employees other than as required by the Consolidated Omnibus Budget Reconciliation Act, as amended, or similar state or local law (collectively, " COBRA ") at no cost to the employer. None of the assets of Seller or any Guarantor are deemed to be plan assets within the meaning of 29 C.F.R. 2510.3-101 as modified by Section 3(42) of ERISA.

Section 7.08 No Default or Material Adverse Effect . No Default or Event of Default exists. No Internal Control Event has occurred. Each Seller has delivered to Buyer all underlying servicing agreements (or provided Buyer with access to a service, internet website or other system where Buyer can successfully access such agreements) with respect to the Purchased Assets, and to the related Seller's Knowledge no material default or event of default (however defined) exists thereunder. Each Seller has delivered to Buyer copies of all credit facilities, repurchase facilities and substantially similar facilities of such Seller that are presently in effect, and no default or event of default (however defined) on the part of any Seller exists thereunder.

Section 7.09 Purchased Assets . Each Purchased Asset is an Eligible Asset. Each representation and warranty of either Seller set forth in the Repurchase Documents (including in Schedule 1 applicable to the Class of such Purchased Asset) and the Mortgage Loan Documents or Senior Interest Documents with respect to each Purchased Asset is true and correct. The review and inquiries made on behalf of each Seller in connection with the next preceding sentence have been made by Persons having the requisite expertise, knowledge and background to verify such representations and warranties. Each Seller has complied with all material requirements of the Custodial Agreement with respect to each Purchased Asset, including delivery to Custodian of all required Mortgage Loan Documents. As of the Purchase Date for each Purchased Asset, each Seller has no Knowledge of any fact that could reasonably lead it, in its reasonable business judgment, to expect that any Purchased Asset will not be paid in full.

Section 7.10 Purchased Assets Acquired from Transferors. With respect to each Purchased Asset purchased by a Seller or an Affiliate of a Seller from a Transferor, (a) such Purchased Asset was acquired and transferred pursuant to a Purchase Agreement, (b) such Transferor received reasonably equivalent value in consideration for the transfer of such Purchased Asset, (c) no such transfer was made for or on account of an antecedent debt owed by such Transferor to such Seller or an Affiliate of such Seller, and (d) if such Seller acquired the Purchased Asset from an Affiliate other than Pledgor, then, if requested by Buyer, such Seller has delivered to Buyer an opinion of counsel regarding the true sale of the purchase of such Asset by such Seller and, if such Asset was acquired by an Affiliate of such Seller other than Pledgor from another Affiliate, the true sale of the purchase of such Asset by the Affiliate of such Seller from the Transferor Affiliate, which opinions shall be in form and substance satisfactory to Buyer. Each Seller or such Affiliate of such Seller has been granted a back-up security interest in each such Purchased Asset, filed one or more UCC financing statements against the Transferor to perfect such security interest, and assigned such financing statements in blank and delivered such assignments to Buyer or Custodian.

Section 7.11 Transfer and Security Interest. The Repurchase Documents constitute a valid and effective transfer to Buyer of all right, title and interest of each Seller in, to and under all Purchased Assets (together with all related Servicing Rights) sold to Buyer by such Seller, free and clear of any Liens (other than Permitted Liens). With respect to the protective security interest granted by each Seller in Section 11.01, upon the delivery of the Confirmations and the Mortgage Loan Documents and the Senior Interest Documents to Custodian, the execution and delivery of the Controlled Account Agreement and the filing of the UCC financing statements as provided herein, such security interest shall be a valid first priority perfected security interest to the extent such security interest can be perfected by possession, filing or control under the UCC, subject only to Permitted Liens. Upon receipt by Custodian of each Mortgage Loan Document and Senior Interest Document required to be endorsed in blank by the applicable Seller and payment by Buyer of the Purchase Price for the related Purchased Asset, Buyer shall either own such Purchased Asset and the related Mortgage Loan Documents and Senior Interest Documents or have a valid first priority perfected security interest in such Mortgage Loan Document. The Purchased Assets constitute the following, as defined in the UCC: a general intangible, instrument, investment property, security, deposit account, financial asset, uncertificated security, securities account, or security entitlement. Neither Seller has sold, assigned, pledged, granted a security interest in, encumbered or otherwise conveyed any of the Purchased Assets to any Person other than pursuant to the Repurchase Documents. Neither Seller has authorized the filing of, and is not aware of, any UCC financing statements filed against any Seller as debtor that include the Purchased Assets, other than any financing statement that has been terminated or filed pursuant to this Agreement.

Section 7.12 No Broker. Except in connection with the origination of any or all of the Purchased Assets, neither Seller nor any Affiliate of any Seller has dealt with any broker, investment banker, agent or other Person, except for Buyer or an Affiliate of Buyer, who may be entitled to any commission or compensation in connection with any Transaction.

Section 7.13 Interest Rate Protection Agreements. (a) Each Seller has entered into all Interest Rate Protection Agreements required under Section 8.09, (b) each such Interest Rate Protection Agreement is in full force and effect, (c) no termination event, default or event of

default (however defined) exists thereunder, and (d) each Seller has effectively assigned to Buyer all such Seller's rights (but none of its obligations) under such Interest Rate Protection Agreement.

Section 7.14 Separateness . Each Seller is in compliance with the requirements of Article 9 .

Section 7.15 Location of Books and Records . The location where each Seller keeps its books and records, including all computer tapes and records relating to the Purchased Assets is its chief executive office.

Section 7.16 Chief Executive Office; Jurisdiction of Organization . On the Effective Date, each Seller's chief executive office, is, and has been, located at One North Wacker Drive, 48 th Floor, Chicago, Illinois 60606. On the Effective Date, each Seller's jurisdiction of organization is Delaware. Each Seller shall provide Buyer with thirty (30) days advance notice of any change in such Seller's principal office or place of business or jurisdiction. Neither Seller has any trade name. During the preceding five (5) years, neither Seller has been known by or done business under any other name, corporate or fictitious, and has not filed or had filed against it any bankruptcy receivership or similar petitions nor has it made any assignments for the benefit of creditors.

Section 7.17 Entity Classification . Existing Seller is either a domestic partnership or a disregarded entity of a domestic corporation, in each case for U.S. federal income tax purposes.

ARTICLE 8

COVENANTS OF SELLERS

From the date hereof until the Repurchase Obligations are indefeasibly paid in full (other than contingent indemnification obligations) and the Repurchase Documents are terminated, each Seller shall perform and observe the following covenants, which shall (a) be given independent effect (so that unless otherwise specifically provided, if a particular action or condition is prohibited by any covenant, the fact that it would be permitted by an exception to or be otherwise within the limitations of another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists), and (b) shall also apply to all subsidiaries of each Seller:

Section 8.01 Existence; Governing Documents; Conduct of Business . Each Seller shall (a) preserve and maintain its legal existence, (b) qualify and remain qualified in good standing in each jurisdiction where the failure to be so qualified would have a Material Adverse Effect, (c) comply with its Governing Documents, including all special purpose entity provisions, (d) not modify, amend or terminate its Governing Documents and (e) qualify to do business in any jurisdiction where an Underlying Mortgaged Property is located, to the extent required to do so in accordance with applicable Requirements of Law(i) presently, in order to hold the interest of a lender under the related Underlying Loan Documents and receive the payments contemplated thereunder, and (ii) at or before the time of enforcement of any rights or remedies under the related Underlying Loan Documents, to the extent necessary to enforce such

rights and remedies or hold title to the Underlying Mortgaged Property. Each Seller shall (a) continue to engage in the same (and no other) general lines of business as presently conducted by it or as permitted hereby, (b) maintain and preserve all of its material rights, privileges, licenses and franchises necessary for the operation of its business except in each case where any failure to do so would not be reasonably likely to have a Material Adverse Effect, and (c) maintain such Seller's status as a qualified transferee, qualified institutional lender or qualified lender (however defined), if applicable, under the Mortgage Loan Documents. Each Seller shall not (a) change its name, organizational number, tax identification number, fiscal year, method of accounting, identity, structure or jurisdiction of organization (or have more than one such jurisdiction), move the location of its principal place of business and chief executive office, as defined in the UCC) from the location referred to in Section 7.01 , or (b) move, or consent to Custodian moving, the Mortgage Loan Documents from the location thereof on the Closing Date, unless in each case such Seller has given at least thirty (30) days prior notice to Buyer and has taken all actions required under the UCC to continue the first priority perfected security interest of Buyer in the Purchased Assets. Each Seller shall enter into each Transaction as principal, unless Buyer agrees before a Transaction that such Seller may enter into such Transaction as agent for a principal and under terms and conditions disclosed to Buyer.

Section 8.02 Compliance with Laws, Contractual Obligations and Repurchase Documents . Each Seller shall comply in all material respects with all Requirements of Laws, including those relating to any Purchased Asset and to the reporting and payment of taxes except in each case where the failure to do so would not be reasonably likely to have a Material Adverse Effect. No part of the proceeds of any Transaction shall be used for any purpose that violates Regulation T, U or X of the Board of Governors of the Federal Reserve System. Each Seller shall conduct the requisite due diligence in connection with the origination or acquisition of each Asset for purposes of complying with the Anti—Terrorism Laws, including with respect to the legitimacy of the applicable Underlying Obligor and the origin of the assets used by such Person to purchase the Underlying Mortgaged Property, and will maintain sufficient information to identify such Person for purposes of the Anti—Terrorism Laws. Each Seller shall maintain the Custodial Agreement and Controlled Account Agreement in full force and effect.

Section 8.03 Protection of Buyer's Interest in Purchased Assets . With respect to each Purchased Asset, the related Seller shall take all action necessary or required by the Repurchase Documents, Mortgage Loan Documents or Requirements of Law, or reasonably requested by Buyer, to perfect, protect and more fully evidence the security interest granted in the Purchase Agreements and Buyer's ownership of and first priority perfected security interest in such Purchased Asset and related Mortgage Loan Documents, including executing or causing to be executed (a) such other instruments or notices as may be necessary or appropriate and filing and maintaining effective UCC financing statements, continuation statements and assignments and amendments thereto, and (b) all documents necessary to both collaterally and absolutely and unconditionally assign all post-acquisition rights, if any, (but none of the obligations) of each Seller under each Purchase Agreement, in each case as additional collateral security for the payment and performance of each of the Repurchase Obligations. Each Seller shall (a) not assign, sell, transfer, pledge, hypothecate, grant, create, incur, assume or suffer or permit to exist any security interest in or Lien (other than Permitted Liens or other Liens which are being contested in good faith and by appropriate proceedings diligently conducted; provided , that such Liens are fully bonded by such Seller in a manner that is satisfactory to Buyer) on any Purchased

Asset to or in favor of any Person other than Buyer, (b) defend such Purchased Asset against, and take such action as is necessary to remove, any such Lien, and (c) defend the right, title and interest of Buyer in and to all Purchased Assets against the claims and demands of all Persons whomsoever. Notwithstanding the foregoing, if any Seller grants a Lien on any Purchased Asset in violation of this Section 8.03 or any other Repurchase Document, such Seller shall be deemed to have simultaneously granted an equal and ratable Lien on such Purchased Asset in favor of Buyer to the extent such Lien has not already been granted to Buyer; provided, that such equal and ratable Lien shall not cure any resulting Event of Default. Each Seller shall not materially amend, modify, waive or terminate any provision of any Purchase Agreement or the Servicing Agreement. Each Seller shall not, or permit Interim Servicer to, make any Material Modification to any Purchased Asset, Senior Interest Document or Mortgage Loan Document, or to amend any participation agreement executed in connection with any Securitized Purchased Asset. Each Seller shall mark its computer records and tapes to evidence the interests granted to Buyer hereunder. Each Seller shall not take any action to cause any Purchased Asset that is not evidenced by an instrument or chattel paper (as defined in the UCC) to be so evidenced. If a Purchased Asset becomes evidenced by an instrument or chattel paper, the same shall be immediately delivered to Custodian on behalf of Buyer, together with endorsements required by Buyer.

Section 8.04 Each Seller shall not declare or make any payment on account of, or set apart assets for, a sinking or similar fund for the purchase, redemption, defeasance, retirement or other acquisition of any Equity Interest of such Seller, Guarantor or any Affiliate of such Seller or Guarantor, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of such Seller, Guarantor or any Affiliate of such Seller or Guarantor except that, at all times (a) prior to a Default or Event of Default, such Seller may declare and pay cash dividends or distributions to Pledgor or Guarantor, and (b) Guarantor may declare and pay cash dividends or distributions to its equityholders so long as Guarantor is then-currently in compliance with all of the covenants, terms and conditions set forth in the Guarantee Agreement; provided that Guarantor can declare and pay such dividend whether or not a Default or an Event of Default has occurred, but in no event shall the aggregate amount of cash permitted to be distributed in each calendar quarter by Guarantor to its shareholders in respect of their stock in Guarantor exceed the minimum amount necessary for Guarantor to continue to qualify as a REIT and avoid the payment of income and excise Taxes. For the avoidance of doubt, nothing in this Agreement or any of the other Repurchase Documents shall preclude Guarantor from declaring consent dividends in accordance with Section 565 of the Code.Section 8.05 Financial Covenants . Neither Seller shall permit the ratio of its EBITDA to its Interest Expense to be less than 1.50 to 1.00 at any time.

Section 8.06 Delivery of Income . Each Seller shall, and pursuant to Irrevocable Redirection Notices shall cause Interim Servicer and all other applicable Persons to, deposit all Income in respect of the Purchased Assets (other than Income paid directly to Interim Servicer in accordance with Section 5.01) into either the General Repo Account or the Waterfall Account in accordance with Sections 3.07 , 4.01 and 5.01 hereof within the time periods specified therein. Seller and Interim Servicer (a) shall comply with and enforce each Irrevocable Redirection Notice, (b) shall not amend, modify, waive, terminate or revoke any Irrevocable Redirection Notice without Buyer's consent, and (c) shall take all reasonable steps to enforce each Irrevocable Redirection Notice. In connection with each Principal Payment, each Seller shall

provide or cause to be provided to Buyer and Custodian sufficient detail to enable Buyer and Custodian to identify the Purchased Asset to which such Principal Payment applies. If any Seller receives any rights, whether in addition to, in substitution of, as a conversion of, or in exchange for any Purchased Assets, or otherwise in respect thereof, such Seller shall accept the same as Buyer's agent, hold the same in trust for Buyer and promptly deliver the same to Buyer or its designee in the exact form received, together with duly executed instruments of transfer, stock powers or assignment in blank and such other documentation as Buyer shall reasonably request. If any Income is received by a Seller, Guarantor or any Affiliate of a Seller or Guarantor, such Seller shall pay or deliver such Income to Buyer or Custodian on behalf of Buyer within two (2) Business Days after receipt, and, until so paid or delivered, hold such Income in trust for Buyer, segregated from other funds of such Seller.

Section 8.07 Delivery of Financial Statements and Other Information . Each Seller shall deliver the following to Buyer, as soon as available and in any event within the time periods specified:

(a) within sixty (60) days after the end of each fiscal quarter and each fiscal year of Guarantor, (i) the unaudited consolidated balance sheets of Guarantor and its Subsidiaries as at the end of such period, (ii) the related unaudited consolidated statements of income, retained earnings and cash flows for such period and the portion of the fiscal year through the end of such period, setting forth in each case in comparative form the figures for the previous year, and (iii) a Compliance Certificate;

(b) within one-hundred and twenty (120) days after the end of each fiscal year of Guarantor, (i) the consolidated balance sheets of Guarantor and its Subsidiaries as at the end of such fiscal year, (ii) the related consolidated statements of income, retained earnings and cash flows for such year, audited by a firm of accountants that is then approved by the Public Company Accounting Oversight Board, setting forth in each case in comparative form the figures for the previous year, (iii) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall not be qualified as to scope of audit or going concern and shall state that said financial statements fairly present the financial condition and results of operations of Guarantor and its Subsidiaries as at the end of and for such fiscal year in accordance with GAAP, and (iv) a Compliance Certificate;

(c) with respect to each Purchased Asset and related Underlying Mortgaged Property serviced by any Seller or an Affiliate of any Seller: (i) within thirty (30) days after the end of each fiscal quarter of such Seller, a quarterly report of the following: delinquency, loss experience, internal risk rating, surveillance, rent roll, occupancy and other property-level information, and (ii) within ten (10) days after receipt or preparation thereof by such Seller or Interim Servicer, remittance, servicing, securitization, exception and other reports, operating and financial statements of Underlying Obligors, and modifications or updates to the items contained in the Underwriting Materials;

(d) any other material agreements, correspondence, documents or other information not included in an Underwriting Package which is related to such Seller or the Purchased Assets, as soon as possible after the discovery thereof by such Seller, Guarantor or any Affiliate of such Seller or Guarantor; and

(e) such other information regarding the financial condition, operations or business of such Seller, Guarantor or any Underlying Obligor as Buyer may reasonably request.

Section 8.08 Delivery of Notices. Each Seller shall promptly notify Buyer of the occurrence of any of the following of which such Seller has Knowledge, together with a certificate of a Responsible Officer of such Seller setting forth details of such occurrence and any action such Seller has taken or proposes to take with respect thereto:

(a) a Representation Breach;

(b) any of the following: (i) with respect to any Purchased Asset or related Underlying Mortgaged Property: material change in Market Value, material loss or damage, material licensing or permit issues, material violation of Requirements of Law, discharge of or damage from Materials of Environmental Concern, any other actual or expected event or change in circumstances that could reasonably be expected to result in a default or material decline in value or cash flow or if any Purchased Asset becomes a Defaulted Asset, and (ii) with respect to any Seller: violation of Requirements of Law, material decline in the value of a Seller's assets or properties, an Internal Control Event or other event or circumstance that could reasonably be expected to have a Material Adverse Effect;

(c) the existence of any Default, Event of Default or material default under or related to a Purchased Asset, Mortgage Loan Document, Indebtedness, Guarantee Obligation or Contractual Obligation of any Seller;

(d) the resignation or termination of Interim Servicer under the Servicing Agreement;

(e) the establishment of a rating by any Rating Agency applicable to any Seller, Guarantor or any Specified Affiliate and any downgrade in or withdrawal of such rating once established;

(f) the commencement of, settlement of or material judgment in any litigation, action, suit, arbitration, investigation or other legal or arbitrable proceedings before any Governmental Authority that (i) affects any Seller, Guarantor or any Specified Affiliate, Purchased Asset, Pledged Collateral or Underlying Mortgaged Property, (ii) questions or challenges the validity or enforceability of any Repurchase Document, Transaction, Purchased Asset or Mortgage Loan Document, or (iii) individually or in the aggregate, if adversely determined, could reasonably be likely to have a Material Adverse Effect;

(g) any change in Existing Seller's status as either a domestic partnership or a disregarded entity of a domestic corporation, in each case for U.S. federal income tax purposes; or

(h) any change in Guarantor's status as a REIT.

Section 8.09 Hedging. With respect to each Purchased Asset that is a Hedge Required Asset, the applicable Seller shall enter into one or more one-hundred percent (100%) cash-collateralized Interest Rate Protection Agreement(s) at the direction of and in a form

acceptable to Buyer with a Hedge Counterparty. Each Seller shall take such actions as Buyer deems necessary to perfect the security interest granted in each Interest Rate Protection Agreement pursuant to Section 11.01, and shall assign to Buyer, which assignment shall be consented to in writing by each Hedge Counterparty, all of such Seller's rights in, to and under each Interest Rate Protection Agreement. Each Interest Rate Protection Agreement shall contain provisions acceptable to Buyer for additional credit support in the event the rating of any Rating Agency assigned to the Hedge Counterparty (other than an Affiliated Hedge Counterparty) is downgraded or withdrawn, in which event such Seller shall ensure that such additional credit support is provided or promptly, subject to the approval of Buyer, enter into new Interest Rate Protection Agreements with respect to the related Purchased Assets with a replacement Hedge Counterparty.

Section 8.10 Escrow Imbalance. Each Seller shall, no later than five (5) Business Days after learning of any material overdraw, deficit or imbalance in any escrow or reserve account relating to a Purchased Asset, correct and eliminate the same by requesting the Underlying Obligor to correct and eliminate the same.

Section 8.11 Pledge and Security Agreement. Each Seller shall not take any direct or indirect action inconsistent with the Pledge and Security Agreement or the security interest granted thereunder to Buyer in the Pledged Collateral. Each Seller shall not permit any additional Persons to acquire Equity Interests in such Seller other than the Equity Interests owned by Pledgor and pledged to Buyer on the Closing Date, and such Seller shall not permit any sales, assignments, pledges or transfers of the Equity Interests in such Seller other than to Buyer.

Section 8.12 Entity Classification.

(a) Existing Seller will be a disregarded entity of either a domestic partnership or a domestic corporation, in each case for U.S. federal income tax purposes.

(b) Guarantor will continue to qualify as a REIT.

ARTICLE 9

SINGLE-PURPOSE ENTITY

Section 9.01 Covenants Applicable to Sellers. Each Seller shall (a) own no assets, and shall not engage in any business, other than the assets and transactions specifically contemplated by this Agreement and any other Repurchase Document, (b) not incur any Indebtedness or other obligation, secured or unsecured, direct or indirect, absolute or contingent (including guaranteeing any obligation), other than (i) with respect to the Mortgage Loan Documents and the Retained Interests, (ii) commitments to make loans which may become Eligible Assets, and (iii) as otherwise permitted under this Agreement, (c) not make any loans or advances to any Affiliate or third party and shall not acquire obligations or securities of its Affiliates, in each case other than in connection with the origination or acquisition of Assets for purchase under the Repurchase Documents, (d) pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) only from its own

assets, (e) comply with the provisions of its Governing Documents, (f) do all things necessary to observe organizational formalities and to preserve its existence, and shall not amend, modify, waive provisions of or otherwise change its Governing Documents, (g) maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates (except that such financial statements may be consolidated to the extent consolidation is required under GAAP or as a matter of Requirements of Law; provided, that (i) appropriate notation shall be made on such financial statements to indicate the separateness of such Seller from such Affiliate and to indicate that such Seller's assets and credit are not available to satisfy the debts and other obligations of such Affiliate or any other Person and (ii) such assets shall also be listed on such Seller's own separate balance sheet) and file its own tax returns (except to the extent consolidation, or treatment of such Seller as a disregarded entity for tax purposes, is required or permitted under Requirements of Law), (h) be, and at all times shall hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, and shall not identify itself or any of its Affiliates as a division of the other, (i) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and shall remain Solvent, (j) not engage in or suffer any change of Control, dissolution, winding up, liquidation, consolidation or merger in whole or in part or convey or transfer all or substantially all of its properties and assets to any Person (except as contemplated herein), (k) not commingle its funds or other assets with those of any Affiliate or any other Person and shall maintain its properties and assets in such a manner that it would not be costly or difficult to identify, segregate or ascertain its properties and assets from those of others, (l) maintain its properties, assets and accounts separate from those of any Affiliate or any other Person, (m) not hold itself out to be responsible for the debts or obligations of any other Person, (n) not, without the prior written consent of all of its manager, take any Insolvency Action, (o) the Governing Documents for such Seller shall provide (i) that Buyer be given at least two (2) Business Days prior notice of the removal and/or replacement of such Seller's manager, together with the name and contact information of the replacement manager and (ii) that the manager shall not have any fiduciary duty to anyone including the holders of the Equity Interest in such Seller and any Affiliates of such Seller except such Seller and the creditors of such Seller with respect to taking of, or otherwise voting on, the Insolvency Action; provided , that the foregoing shall not eliminate the implied contractual covenant of good faith and fair dealing, (p) not enter into any transaction with an Affiliate of such Seller except on commercially reasonable terms no less favorable than those available to unaffiliated parties in an arm's-length transaction, (q) maintain a sufficient number of employees in light of contemplated business operations, (r) use separate stationery, invoices and checks bearing its own name, and (s) allocate fairly and reasonably any overhead for shared office space and for services performed by an employee of an affiliate, (t) not pledge its assets to secure the obligations of any other Person, and (u) not form, acquire or hold any Subsidiary or own any Equity Interest in any other entity.

Section 9.02 Additional Covenants Applicable to Sellers . Each Seller (i) shall be a Delaware limited liability company, (ii) shall not take any Insolvency Action and shall not cause or permit the members or managers of such entity to take any Insolvency Action and (iii) shall have either (A) a member which owns no economic interest in the company, has signed the company's limited liability company agreement and has no obligation to make

capital contributions to the company, or (B) two natural persons or one entity that is not a member of the company, that has signed its limited liability company agreement and that, under the terms of such limited liability company agreement becomes a member of the company immediately prior to the resignation or dissolution of the last remaining member of the company. Each Seller shall have no direct parent other than Pledgor.

ARTICLE 10

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default . Each of the following events shall be an " Event of Default ":

(a) either Seller fails to make a payment of (i) Margin Deficit or Repurchase Price (other than Price Differential) when due, whether by acceleration or otherwise (including, if applicable, any Future Funding Amounts related to a Future Funding Transaction), (ii) Price Differential within one (1) Business Day of when due, or (iii) any other amount within two (2) Business Days of when due unless such Seller did not have knowledge of such required payment, in which case within two (2) Business Days after receipt of notice that such payment is due and owing, in each case under the Repurchase Documents;

(b) either Seller fails to observe or perform in any material respect any other Repurchase Obligation of such Seller under the Repurchase Documents or the Mortgage Loan Documents to which such Seller is a party (other than the reporting requirements set forth in Section 8.07(d)), and (except in the case of a failure to perform or observe the Repurchase Obligations of such Seller under Section 8.03 and 18.06(a)) such failure continues unremedied for ten (10) Business Days after the earlier of receipt of notice thereof from Buyer or the discovery of such failure by any Seller provided , however , that in the event such matters are not reasonably susceptible to cure in such period, so long as (i) such Seller is diligently attempting to cure the same and (ii) such matters could not be reasonably expected to materially adversely affect the value of any Purchased Asset or collectability of any amounts due with respect to any Purchased Asset, such period shall be extended by the time reasonably necessary to cure such matter, which shall not, in any event, exceed an additional thirty (30) days;

(c) any Representation Breach exists and continues unremedied for five (5) Business Days after the earlier of receipt of notice thereof from Buyer or the discovery of such failure by either Seller; provided that, the representations and warranties set forth in Section 7.09 and Schedule 1 shall be considered solely to the extent that, either Seller shall have made any such representation and warranty with Knowledge that it was incorrect or untrue;

(d) either (i) the commencement of any enforcement action by an obligee against any Seller or Guarantor with respect to any Indebtedness, Guarantee Obligation or Contractual Obligation, provided that the aggregate amount of the Indebtedness, Guarantee Obligations and/or Contractual Obligations in respect of which such enforcement action is commenced (either individually or in the aggregate) is in excess of $500,000 with respect to such Seller, or $5,000,000 with respect to Guarantor, or (ii) if any Seller or Guarantor defaults in making any payment required to be made under one or more agreements for borrowed money to

which it is a party in an aggregate amount in excess of $500,000 with respect to such Seller, or $15,000,000 with respect to Guarantor, and any such failure in not cured within applicable cure period, if any, provided for under the related agreement;

(e) any Seller, Guarantor or any Specified Affiliate defaults beyond any applicable grace period in paying any amount or performing any obligation due to Buyer or any Affiliate of Buyer under any other financing, hedging, security or other agreement (other than under this Agreement) between a Seller, Guarantor or any Specified Affiliate and Buyer or any Affiliate of Buyer;

(f) an Insolvency Event occurs with respect to a Seller, Guarantor or any Specified Affiliate;

(g) a Change of Control occurs with respect to a Seller, Guarantor or any Specified Affiliate other than Pledgor;

(h) a final judgment or judgments for the payment of money in excess of $500,000 with respect to any Seller, or $5,000,000 with respect to Guarantor in the aggregate is entered against any Seller or Guarantor by one or more Governmental Authorities and the same is not satisfied, discharged (or provision has not been made for such discharge) or bonded, or a stay of execution thereof has not been procured, within ten (10) Business Days from the date of entry thereof;

(i) a Governmental Authority takes any action to (i) condemn, seize or appropriate, or assume custody or control of, all or any substantial part of the property of either Seller, (ii) displace the management of either Seller or curtail its authority in the conduct of the business of either Seller, (iii) terminate the activities of either Seller as contemplated by the Repurchase Documents, or (iv) remove, limit or restrict the approval of either Seller of the foregoing as an issuer, buyer or a seller of securities, and in each case such action is not discontinued or stayed within thirty (30) days;

(j) any Seller, Guarantor or any Specified Affiliate admits that it is not Solvent or is generally not able or not willing to perform any of its Repurchase Obligations, Contractual Obligations, Guarantee Obligations, Capital Lease Obligations or Off-Balance Sheet Obligations;

(k) any material provision of the Repurchase Documents, any material right or remedy of Buyer or obligation, covenant, agreement or duty of either Seller thereunder, or any Lien, security interest or control granted under or in connection with the Repurchase Documents, Pledged Collateral or Purchased Assets terminates, is declared null and void, ceases to be valid and effective, ceases to be the legal, valid, binding and enforceable obligation of Sellers or any other Person, or the validity, effectiveness, binding nature or enforceability thereof is contested, challenged, denied or repudiated by either Seller or any other Person, in each case directly, indirectly, in whole or in part;

(l) Buyer ceases for any reason to have a valid and perfected first priority security interest in any Purchased Asset or any Pledged Collateral;

(m) Guarantor, either Seller or any Specified Affiliate is required to register as an "investment company" (as defined in the Investment Company Act);

(n) either Seller engages in any conduct or action where Buyer's prior consent is required by any Repurchase Document and Seller fails to obtain such consent;

(o) Interim Servicer, either Seller or any other Affiliate of a Seller fails to deposit to the Waterfall Account all Income and other amounts as required by Section 5.01 and other provisions of this Agreement within two (2) Business Days of when due;

(p) Guarantor's audited annual financial statements or the notes thereto or other opinions or conclusions stated therein are qualified or limited by reference to the status of Guarantor as a "going concern" or a reference of similar import, other than a qualification or limitation expressly related to Buyer's rights in the Purchased Assets;

(q) any termination event or event of default (however defined) shall have occurred with respect to either Seller under any Interest Rate Protection Agreement or Guarantor breaches any of the obligations, terms or conditions set forth in the Guarantee Agreement; or

(r) any Material Modification is made to any Purchased Asset or any Mortgage Loan Document without the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed.

Section 10.02 Remedies of Buyer as Owner of the Purchased Assets . If an Event of Default exists, at the option of Buyer, exercised by notice to either Seller (which option shall be deemed to be exercised, even if no notice is given, automatically and immediately upon the occurrence of an Event of Default under Section 10.01(f)), the Repurchase Date for all Purchased Assets shall be deemed automatically and immediately to occur (the date on which such option is exercised or deemed to be exercised, the " Accelerated Repurchase Date "). If Buyer exercises or is deemed to have exercised the foregoing option:

(a) All Repurchase Obligations shall become immediately due and payable on and as of the Accelerated Repurchase Date.

(b) All amounts in the Waterfall Account and all Income paid after the Accelerated Repurchase Date shall be retained by Buyer and applied in accordance with Article 5 .

(c) Buyer may complete any assignments, allonges, endorsements, powers or other documents or instruments executed in blank and otherwise obtain physical possession of all Mortgage Loan Documents, Senior Interest Documents and all other instruments, certificates and documents then held by Custodian under the Custodial Agreement. Buyer may obtain physical possession of all Servicing Files, Servicing Agreements and other files and records of Sellers or Interim Servicer. Sellers shall deliver to Buyer such assignments and other documents with respect thereto as Buyer shall request.

(d) Buyer may immediately, at any time, and from time to time, exercise either of the following remedies with respect to any or all of the Purchased Assets: (i) sell such

Purchased Assets on a servicing-released basis and/or without providing any representations and warranties on an "as-is where is" basis, in a recognized market and by means of a public or private sale at such price or prices as Buyer accepts, and apply the net proceeds thereof in accordance with Article 5 , or (ii) retain such Purchased Assets and give Sellers credit against the Repurchase Price for such Purchased Assets (or if the amount of such credit exceeds the Repurchase Price for such Purchased Assets, to credit against Repurchase Obligations due and any other amounts then owing to Buyer by any other Person pursuant to any Repurchase Document, in such order and in such amounts as determined by Buyer), in an amount equal to the Current Mark-to-Market Value of such Purchased Assets. Until such time as Buyer exercises either such remedy with respect to a Purchased Asset, Buyer may hold such Purchased Asset for its own account and retain all Income with respect thereto.

(e) The Parties agree that the Purchased Assets are of such a nature that they may decline rapidly in value, and may not have a ready or liquid market. Accordingly, Buyer shall not be required to sell more than one (1) Purchased Asset on a particular Business Day, to the same purchaser or in the same manner. Buyer may determine whether, when and in what manner a Purchased Asset shall be sold, it being agreed that both a good faith public and a good faith private sale shall be deemed to be commercially reasonable. Buyer shall give to Seller no less than ten (10) Business Days notice in advance of such a sale. Buyer shall not be required to give notice to Seller or any other Person prior to exercising any remedy in respect of an Event of Default. If no prior notice is given, Buyer shall give notice to Sellers of the remedies exercised by Buyer promptly thereafter.

(f) Sellers shall be liable to Buyer for (i) any amount by which the Repurchase Obligations due to Buyer exceed the aggregate of the net proceeds and credits referred to in the preceding clause (d), (ii) the amount of all actual out-of-pocket expenses, including reasonable legal fees and expenses, actually incurred by Buyer in connection with or as a consequence of an Event of Default, (iii) any costs and losses payable under Section 12.03 , and (iv) any other actual loss, damage, cost or expense resulting from the occurrence of an Event of Default, but specifically excluding any punitive damages.

(g) Buyer shall be entitled to an injunction, an order of specific performance or other equitable relief to compel each Seller to fulfill any of its obligations as set forth in the Repurchase Documents, including this Article 10 , if either Seller fails or refuses to perform its obligations as set forth herein or therein.

(h) Each Seller hereby appoints Buyer as attorney-in-fact of such Seller, effective only during the continuance of an Event of Default, for purposes of carrying out the Repurchase Documents, including executing, endorsing and recording any instruments or documents and taking any other actions that Buyer deems necessary or advisable to accomplish such purposes, which appointment is coupled with an interest and is irrevocable.

(i) Buyer may, without prior notice to either Seller, exercise any or all of its set-off rights including those set forth in Section 18.17 . This Section 10.02(i) shall be without prejudice and in addition to any right of set-off, combination of accounts, Lien or other rights to which any Party is at any time otherwise entitled.

(j) All rights and remedies of Buyer under the Repurchase Documents, including those set forth in Section 18.17 , are cumulative and not exclusive of any other rights or remedies that Buyer may have and may be exercised at any time when an Event of Default exists. Such rights and remedies may be enforced without prior judicial process or hearing. Each Seller agrees that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's-length. Each Seller hereby expressly waives any defenses such Seller might have to require Buyer to enforce its rights by judicial process or otherwise arising from the use of nonjudicial process, disposition of any or all of the Purchased Assets, or any other election of remedies.

ARTICLE 11

SECURITY INTEREST

Section 11.01 Grant . Buyer and each Seller intend that all Transactions shall be sales to Buyer of the Purchased Assets and not loans from Buyer to Sellers secured by the Purchased Assets. However, to preserve and protect Buyer's rights with respect to the Purchased Assets and under the Repurchase Documents in the event that any Governmental Authority recharacterizes the Transactions as other than sales, and as security for each Seller's performance of the Repurchase Obligations, each Seller hereby grants to Buyer a Lien on and security interest in all of the right, title and interest of each Seller in, to and under (i) the Purchased Assets (which for this purpose shall be deemed to include the items described in the proviso in the definition thereof), (ii) each Interest Rate Protection Agreement with each Hedge Counterparty relating to each Purchased Asset, (iii) all of the "Pledged Collateral", as such term is defined in the Pledge and Security Agreement, and (iv) the Waterfall Account, all amounts at any time on deposit therein and all Proceeds (as defined in the UCC) thereof, and the transfers of the Purchased Assets to Buyer shall be deemed to constitute and confirm such grant, to secure the payment and performance of the Repurchase Obligations (including the obligation of each Seller to pay the Repurchase Price, or if the Transactions are recharacterized as loans, to repay such loans for the Repurchase Price).

Section 11.02 Effect of Grant . If any circumstance described in Section 11.01 occurs, (a) this Agreement shall also be deemed to be a security agreement as defined in the UCC, (b) Buyer shall have all of the rights and remedies provided to a secured party by Requirements of Law (including the rights and remedies of a secured party under the UCC and the right to set off any mutual debt and claim) and under any other agreement between Buyer and either Seller or between any Affiliated Hedge Counterparty and either Seller, (c) without limiting the generality of the foregoing, Buyer shall be entitled to set off the proceeds of the liquidation of the Purchased Assets against all of the Repurchase Obligations, without prejudice to Buyer's right to recover any deficiency, (d) the possession by Buyer or any of its agents, including Custodian, of the Mortgage Loan Documents, the Purchased Assets and such other items of property as constitute instruments, money, negotiable documents, securities or chattel paper shall be deemed to be possession by the secured party for purposes of perfecting such security interest under the UCC and Requirements of Law, and (e) notifications to Persons (other than Buyer) holding such property, and acknowledgments, receipts or confirmations from Persons (other than Buyer) holding such property, shall be deemed notifications to, or acknowledgments, receipts or

confirmations from, securities intermediaries, bailees or agents (as applicable) of the secured party for the purpose of perfecting such security interest under the UCC and Requirements of Law. The security interest of Buyer granted herein shall be, and each Seller hereby represents and warrants to Buyer and all other Affiliated Hedge Counterparties that it is, a first priority perfected security interest subject only to Liens arising by operation of applicable law. For the avoidance of doubt, (i) each Purchased Asset and each Interest Rate Protection Agreement relating to a Purchased Asset secures the Repurchase Obligations of each Seller with respect to all other Transactions and all other Purchased Assets, including any Purchased Assets that are junior in priority to the Purchased Asset in question, and (ii) if an Event of Default exists, no Purchased Asset or Interest Rate Protection Agreement relating to a Purchased Asset will be released from Buyer's Lien or transferred to any Seller until the Repurchase Obligations (other than contingent indemnification obligations) are indefeasibly paid in full. Notwithstanding the foregoing, the Repurchase Obligations shall be full recourse to each Seller.

Section 11.03 Sellers to Remain Liable . Buyer and each Seller agree that the grant of a security interest under this Article 11 shall not constitute or result in the creation or assumption by Buyer of any Retained Interest or other obligation of either Seller or any other Person in connection with any Purchased Asset, or any Interest Rate Protection Agreement whether or not Buyer exercises any right with respect thereto. Other than with respect to any Purchased Asset as to which Buyer has (i) actually assumed servicing, (ii) has terminated the related Seller's rights as Servicer and no replacement Servicer has been appointed and commenced servicing pursuant to a Servicing Agreement, or (iii) otherwise taken and/or sold or liquidated in conjunction with the exercise of remedies pursuant to Section 10.02(d) , each Seller shall remain liable under the Purchased Assets, each Interest Rate Protection Agreement and Mortgage Loan Documents to perform all of each of the Seller's duties and obligations thereunder to the same extent as if the Repurchase Documents had not been executed.

Section 11.04 Waiver of Certain Laws . Each Seller agrees, to the extent permitted by Requirements of Law, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption law now or hereafter in force in any locality where any Purchased Assets may be situated in order to prevent, hinder or delay the enforcement or foreclosure of this Agreement, or the absolute sale of any of the Purchased Assets or Interest Rate Protection Agreement relating to a Purchased Asset or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and each Seller, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws and any and all right to have any of the properties or assets constituting the Purchased Assets or Interest Rate Protection Agreement relating to a Purchased Asset marshaled upon any such sale, and agrees that Buyer or any court having jurisdiction to foreclose the security interests granted in this Agreement may sell the Purchased Assets and each Interest Rate Protection Agreement relating to a Purchased Asset as an entirety or in such parcels as Buyer or such court may determine.

ARTICLE 12

INCREASED COSTS; CAPITAL ADEQUACY

Section 12.01 Market Disruption . If prior to any Pricing Period, Buyer determines that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Pricing Period, Buyer shall give prompt notice thereof to Sellers, whereupon the Pricing Rate for such Pricing Period, and for all subsequent Pricing Periods until such notice has been withdrawn by Buyer, shall be the Alternative Rate.

Section 12.02 Illegality . If the adoption of or any change in any Requirements of Law or in the interpretation or application thereof after the date hereof shall make it unlawful for Buyer to effect or continue Transactions as contemplated by the Repurchase Documents, (a) any commitment of Buyer hereunder to enter into new Transactions shall be terminated and the Facility Termination Date shall be deemed to have occurred, (b) the Pricing Rate shall be converted automatically to the Alternative Rate on the last day of the then current Pricing Period or within such earlier period as may be required by Requirements of Law, and (c) if required by such adoption or change, the Facility Termination Date shall be deemed to have occurred; provided , however , that Buyer shall not treat Sellers differently than other similarly situated customers for purposes of this Section 12.02 .

Section 12.03 Breakfunding . Each Seller shall indemnify Buyer and hold Buyer harmless from any actual loss, cost or expense (including reasonable legal fees and expenses but specifically excluding any consequential or punitive damages and excluding any loss of expected related profits) which Buyer may sustain or incur arising from (a) the failure by any Seller to terminate any Transaction after any Seller has given a notice of termination pursuant to Section 3.05 , (b) any payment to Buyer on account of the outstanding Repurchase Price, including a payment made pursuant to Section 3.05 but excluding a payment made pursuant to Section 5.02 , on any day other than a Remittance Date (in the event that Buyer funded its commitment with respect to the Transaction in the London Interbank Eurodollar market and using any reasonable attribution or averaging methods that Buyer deems appropriate and practical), (c) any failure by a Seller to sell Eligible Assets to Buyer after such Seller has notified Buyer of a proposed Transaction and Buyer has agreed to purchase such Eligible Assets in accordance with this Agreement, or (d) any conversion of the Pricing Rate to the Alternative Rate because the LIBO Rate is not available for any reason on a day that is not the last day of the then current Pricing Period.

Section 12.04 Increased Costs . If the adoption of or any change in any Requirements of Law or in the interpretation or application thereof by any Governmental Authority or compliance by Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority having jurisdiction over Buyer made after the date of this Agreement (a) shall subject Buyer to any Tax of any kind whatsoever with respect to the Repurchase Documents, any Purchased Asset or any Transaction, or change the basis of taxation of payments to Buyer in respect thereof (except for (x) Taxes in respect of which Additional Amounts are required to be paid pursuant to Section 12.06(a) or Section 12.06(c) and (y) Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or

other obligations, or its deposits, reserves, other liabilities or capital attributable thereto), (b) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of Buyer, or (c) shall impose on Buyer any other condition; and the result of any of the preceding clauses (a), (b) and (c) is to increase the cost to Buyer, by an amount that Buyer deems to be material, of entering into, continuing or maintaining Transactions, or to reduce any amount receivable under the Repurchase Documents in respect thereof, then, in any such case, upon not less than thirty (30) days' prior written notice to Sellers, Sellers shall pay to Buyer such additional amount or amounts as reasonably necessary to fully compensate Buyer for such increased cost or reduced amount receivable; provided , however , that Buyer shall not treat Sellers differently than other similarly situated customers in requiring the payment of such amount or amounts.

Section 12.05 Capital Adequacy . If Buyer determines that the adoption of or any change in any Requirements of Law regarding capital adequacy or in the interpretation or application thereof or compliance by Buyer or any corporation Controlling Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made after the date of this Agreement has or shall have the effect of reducing the rate of return on Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which Buyer or such corporation could have achieved but for such adoption, change or compliance (taking into consideration Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by Buyer to be material, then, in any such case, upon not less than thirty (30) days' prior written notice to Sellers, Sellers shall pay to Buyer such additional amount or amounts as reasonably necessary to fully compensate Buyer for such reduction; provided , however , that Buyer shall not treat Sellers differently than other similarly situated customers in requiring the payment of such amount or amounts.

Section 12.06 Withholding Taxes .

(a) All payments made by or on behalf of a Seller to Buyer or any other Indemnified Person under the Repurchase Documents and by Underlying Obligors with respect to the Purchased Assets shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities (including penalties, interest and additions to tax) with respect thereto imposed by any Governmental Authority therewith or thereon (collectively, "Taxes"), except as required by law. If any Taxes are required by law to be deducted or withheld from or in respect of any amounts payable to Buyer and/or any other Indemnified Person (including, for purposes of this Section 12.06(a) and Section 12.06(c), any assignee, participant, or successor), then the applicable Seller shall (a) make such deduction or withholding, (b) pay the amount so deducted or withheld to the appropriate Governmental Authority not later than the date when due; and (c) pay to Buyer or such other Indemnified Person such additional amounts (the "Additional Amount") as may be necessary so that every net payment received under this Agreement after deduction or withholding for or on account of any Taxes (including any Taxes on such increase and any penalties) is not less than the amount that would have been paid absent such deduction or withholding. The foregoing obligation to pay Additional Amounts, however,

will not apply with respect to (i) net income or franchise Taxes imposed on Buyer and/or any other Indemnified Person, with respect to payments required to be made by a Seller under the Repurchase Documents, by a taxing jurisdiction in which Buyer or such other Indemnified Person is organized or has a present or former connection, unless such connection arises as a result of such Person having executed, delivered or performed its obligations or received payments under, or enforced, this Agreement or any of the other Repurchase Documents; (ii) U.S. withholding Taxes imposed on amounts payable to or for the account of Buyer or another Indemnified Person pursuant to a law in effect on the date on which such Buyer or other Indemnified Person becomes a party hereto, except to the extent that, pursuant to this Section 12.06, amounts with respect to such Taxes were payable to such Buyer's or such other Indemnified Person's assignor, as applicable, immediately before Buyer or such other Indemnified Person became a party hereto or (iii) any U.S. federal withholding Tax imposed pursuant to Section 1471, Section 1472, Section 1473, or Section 1474 of the Code, each as in effect on the date hereof (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) , or any Treasury regulations or administrative guidance promulgated thereunder (" FATCA ") (clause (i) through (iii) collectively, "Excluded Taxes"). Promptly after a Seller pays any Taxes referred to in this Section 12.06, such Seller will send Buyer or the applicable other Indemnified Person evidence of such payment reasonably satisfactory to such Person.

(b) In addition, each Seller agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies (including, without limitation, mortgage recording taxes, transfer taxes and similar fees) that arise from any payment made under or in respect of this Agreement or any other Repurchase Document, or from the execution, delivery or registration of, any performance, receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or any other Repurchase Document (" Other Taxes ").

(c) Each Seller agrees to indemnify Buyer, and each other Indemnified Person for the full amount of Taxes (other than Excluded Taxes) and Other Taxes that are payable by such Person in respect of payments made under or in respect of this Agreement and any liability (including penalties, interest and expenses arising thereon or with respect thereto) arising therefrom or with respect thereto.

(d) If a Person acquires any of the rights and obligations of Buyer as an Eligible Assignee under this Agreement, and such Person is not organized under the laws of the United States, any state thereof or the District of Columbia (a " Non-U.S. Person "), such Non-U.S. Person shall, if it is legally able to do so, deliver to Sellers on or before the date on which such Person becomes a party to this Agreement and, promptly upon the expiration of any previously delivered form, two duly completed and executed copies of, as applicable, IRS Form W-8BEN, IRS Form W-8IMY (together with appropriate attachments), or IRS Form W-8ECI or any successor forms thereto designated as such by the IRS. If the Non U.S. Person is eligible for and wishes to claim exemption from US. Federal withholding tax under Section 871(h) or Section 881(c) of the Code with respect to payments of "portfolio interest," such Person shall deliver both the Form W 8BEN and a statement certifying that such Person is not a bank, a "10 percent shareholder" or a "controlled foreign corporation" within the meaning of Section 881(c)(3) of the Code. If a Person acquires any of the rights and obligations of Buyer as an

Eligible Assignee under this Agreement, and such Person is not a Non-U.S. Person, such Person shall, if it is legally able to do so, deliver to Sellers on or before the date on which such Person becomes a party to this Agreement and promptly upon the expiration of any previously delivered form two duly completed and executed copies of IRS Form W-9 establishing an exemption from U.S. federal backup withholding. If any previously delivered form or statement becomes inaccurate with respect to the Person that delivered it, the Person shall promptly notify Sellers of this fact.

(e) If a payment made to Buyer or any other Indemnified Person hereunder would be subject to U.S. federal withholding Tax imposed by FATCA if Buyer or such Indemnified Person were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), Buyer or such Indemnified Person shall deliver to Sellers at the time or times prescribed by law and at such time or times reasonably requested by Sellers such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by Sellers as may be necessary for Sellers to comply with their obligations under FATCA and to determine that Buyer or such Indemnified Person, as applicable, has complied with its obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 12.06(e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 12.06 (including by the payment of additional amounts pursuant to this Section 12.06), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 12.06(f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph, in no event will Buyer or any other Indemnified Person be required to pay any amount pursuant to this paragraph if such payment would place it in a less favorable net after-Tax position than it would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require Buyer or any other Indemnified Person to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to any Person.

(g) Without prejudice to the survival of any other agreement of any Seller hereunder, the agreements and obligations of each Seller contained in this Section 12.06 shall survive the termination of this Agreement. Nothing contained in this Section 12.06 shall require Buyer or any other Indemnified Person to make available any of its tax returns or other information that it deems to be confidential or proprietary.

Section 12.07 Payment and Survival of Obligations . Buyer may at any time send Sellers a notice showing the calculation of any amounts payable pursuant to this Article 12 , and each Seller shall pay such amounts to Buyer within ten (10) Business Days after such Seller receives such notice. The obligations of each Seller under this Article 12 shall apply to Eligible Assignees and Participants and survive the termination of the Repurchase Documents and the indefeasible payment in full of the Repurchase Obligations.

Section 12.08 Early Repurchase Option . If any of the events described in Sections 12.04 or 12.05 result in Buyer's request for additional amounts, then Sellers shall have the option to notify Buyer in writing at any time of their intent to terminate all of the Transactions and repurchase all of the Purchased Assets no later than ten (10) Business Days after such notice is given to Buyer, and such repurchase by Sellers shall be conducted pursuant to and in accordance with Section 3.04 . The election by Sellers to terminate the Transactions in accordance with this Section 12.08 shall not relieve Sellers for liability with respect to any additional amounts actually incurred by Buyer prior to the actual repurchase of the Purchased Assets, except that, notwithstanding anything to the contrary contained herein or in any other Transaction Document, there shall be no Exit Fee, prepayment fee, premium or other similar payment due in connection therewith.

ARTICLE 13

INDEMNITY AND EXPENSES

Section 13.01 Indemnity .

(a) Each Seller shall release, defend, indemnify and hold harmless Buyer, Affiliates of Buyer and its and their respective officers, directors, shareholders, partners, members, owners, employees, agents, attorneys, Affiliates and advisors (each an " Indemnified Person " and collectively the " Indemnified Persons "), on a net after-tax basis, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, fees, reasonable costs, reasonable expenses (including reasonable legal fees and expenses), penalties or fines of any kind that may be imposed on, incurred by or asserted against such Indemnified Person (collectively, the " Indemnified Amounts ") in any way relating to, arising out of or resulting from or in connection with (i) the Repurchase Documents, the Mortgage Loan Documents, the Purchased Assets, the Pledged Collateral, the Transactions, any Underlying Mortgaged Property or related property, or any action taken or omitted to be taken by any Indemnified Person in connection with or under any of the foregoing, or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of any Repurchase Document, any Transaction, any Purchased Asset, any Mortgage Loan Document or any Pledged Collateral, (ii) any claims, actions or damages by an Underlying Obligor or lessee with respect to a Purchased Asset, (iii) any violation or alleged violation of, non—compliance with or liability under any Requirements of Law, (iv) ownership of, Liens on, security interests in or the exercise of rights or remedies under any of the items referred to in the preceding clause (i), (v) any accident, injury to or death of any person or loss of or damage to property occurring in, on or about any Underlying Mortgaged Property or on the adjoining sidewalks, curbs, parking areas, streets or ways, (vi) any use, nonuse or condition in, on or about, or possession, alteration, repair,

operation, maintenance or management of, any Underlying Mortgaged Property or on the adjoining sidewalks, curbs, parking areas, streets or ways, (vii) any failure by a Seller to perform or comply with any Repurchase Document, Mortgage Loan Document or Purchased Asset, (viii) performance of any labor or services or the furnishing of any materials or other property in respect of any Underlying Mortgaged Property or Purchased Asset, (ix) any claim by brokers, finders or similar Persons claiming to be entitled to a commission in connection with any lease or other transaction involving any Repurchase Document, Purchased Asset or Underlying Mortgaged Property, (x) any taxes attributable to the execution, delivery, filing or recording of any Repurchase Document, Mortgage Loan Document or any memorandum of any of the foregoing, (xi) any Lien or claim arising on or against any Purchased Asset or related Underlying Mortgaged Property under any Requirements of Law or any liability asserted against Buyer or any Indemnified Person with respect thereto, (xii) (1) a past, present or future violation or alleged violation of any Environmental Laws in connection with any property or Mortgaged Property by any Person or other source, whether related or unrelated to any Seller or any Underlying Obligor, (2) any presence of any Materials of Environmental Concern in, on, within, above, under, near, affecting or emanating from any Underlying Mortgaged Property, (3) the failure to timely perform any Remedial Work, (4) any past, present or future activity by any Person or other source, whether related or unrelated to any Seller or any Underlying Obligor in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from any Underlying Mortgaged Property of any Materials of Environmental Concern at any time located in, under, on, above or affecting any Underlying Mortgaged Property, (5) any past, present or future actual Release (whether intentional or unintentional, direct or indirect, foreseeable or unforeseeable) to, from, on, within, in, under, near or affecting any Underlying Mortgaged Property by any Person or other source, whether related or unrelated to any Seller or any Underlying Obligor, (6) the imposition, recording or filing or the threatened imposition, recording or filing of any Lien on any Underlying Mortgaged Property with regard to, or as a result of, any Materials of Environmental Concern or pursuant to any Environmental Law, or (7) any misrepresentation or failure to perform any obligations pursuant to any Repurchase Document or Mortgage Loan Document relating to environmental matters in any way, or (xiii) any Seller's conduct, activities, actions and/or inactions in connection with, relating to or arising out of any of the foregoing clauses of this Section 13.01 , that, in each case, results from anything whatsoever other than any Indemnified Person's gross negligence or willful misconduct, as determined by a court of competent jurisdiction pursuant to a final, non—appealable judgment. Notwithstanding the foregoing, Sellers shall have no liability to any Indemnified Person under clauses (v), (vi), (viii) or (xii) of this Section 13.01 for any claims arising as a result of activities or events which occur at any time more than six (6) months after Buyer (or one of its Affiliates) takes title to the related Underlying Mortgaged Property. In any suit, proceeding or action brought by an Indemnified Person in connection with any Purchased Asset for any sum owing thereunder, or to enforce any provisions of any Purchased Asset, each Seller shall defend, indemnify and hold such Indemnified Person harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the account debtor or Underlying Obligor arising out of a breach by any Seller of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or Underlying Obligor from any Seller. In the case of an investigation,

litigation or other proceeding to which the indemnity in this Section 13.01 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Seller, an Indemnified Person or any other Person or any Indemnified Person is otherwise a party thereto and whether or not any Transaction is entered into. This Section 13.01(a) shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from a non-Tax claim.

(b) If for any reason the indemnification provided in this Section 13.01 is unavailable to the Indemnified Person or is insufficient to hold an Indemnified Person harmless, even though such Indemnified Person is entitled to indemnification under the express terms thereof, then the applicable Seller shall contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative benefits received by such Indemnified Person on the one hand and such Seller on the other hand, the relative fault of such Indemnified Person, and any other relevant equitable considerations.

(c) An Indemnified Person may at any time send Sellers a notice showing the calculation of Indemnified Amounts, and Sellers shall pay such Indemnified Amounts to such Indemnified Person within ten (10) Business Days after Sellers receive such notice. The obligations of Sellers under this Section 13.01 shall apply to Eligible Assignees and Participants and survive the termination of this Agreement.

Section 13.02 Expenses . Each Seller shall promptly on demand pay to or as directed by Buyer all reasonable third-party out-of-pocket costs and expenses (including legal, accounting and advisory fees and expenses) incurred by Buyer in connection with (a) the development, evaluation, preparation, negotiation, execution, consummation, delivery and administration of, and any amendment, supplement or modification to, or extension, renewal or waiver of, the Repurchase Documents and the Transactions, (b) any Asset or Purchased Asset, including due diligence, inspection, testing, review, recording, registration, travel custody, care, insurance or preservation, (c) the enforcement of the Repurchase Documents or the payment or performance by any Seller of any Repurchase Obligations, (d) any actual or attempted sale, exchange, enforcement, collection, compromise or settlement relating to the Purchased Assets, and (e) the internally allocated costs of Buyer of any Appraisal ordered in connection with an Asset proposed for purchase under Section 3.01 but subsequently rejected by Buyer for any reason.

ARTICLE 14

INTENT

Section 14.01 The Parties intend (a) for each Transaction to qualify for the safe harbor treatment provided by the Bankruptcy Code and for Buyer to be entitled to all of the rights, benefits and protections afforded to Persons under the Bankruptcy Code with respect to a “securities contract” as defined in Section 741(7) of the Bankruptcy Code and that payments under this Agreement are deemed “margin payments” or “settlement payments,” as defined in Section 101 of the Bankruptcy Code, (b) for the grant of a security interest set forth in Article 11 to also be a “securities contract” as defined in Section 741(7)(A)(xi) of the Bankruptcy Code and

a “repurchase agreement” as that term is defined in Section 101(47)(A)(v) of the Bankruptcy Code, and (c) that Buyer (for so long as Buyer is a “financial institution,” “financial participant” or other entity listed in Section 555, 559 or 362(b)(6) of the Bankruptcy Code) shall be entitled to the “safe harbor” benefits and protections afforded under the Bankruptcy Code with respect to a “repurchase agreement” and a “securities contract,” including (x) the rights, set forth in Article 10 and in Section 555, 559 and 561 of the Bankruptcy Code, to liquidate the Purchased Assets and terminate this Agreement, and (y) the right to offset or net out as set forth in Article 10 and Section 18.17 and in Section 362(b)(6) of the Bankruptcy Code.

Section 14.02 The Parties acknowledge and agree that (a) Buyer’s right to liquidate Purchased Assets delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Articles 10 and 11 and as otherwise provided in the Repurchase Documents is a contractual right to liquidate such Transactions as described in Section 555, 559 and 561 of the Bankruptcy Code.

Section 14.03 The Parties acknowledge and agree that if a Party is an “insured depository institution,” as such term is defined in the Federal Deposit Insurance Act, as amended (“ FDIA ”), then each Transaction hereunder is a “qualified financial contract,” as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).

Section 14.04 The Parties acknowledge and agree that this Agreement constitutes a “netting contract” as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 (“ FDICIA ”) and each payment entitlement and payment obligation under any Transaction shall constitute a “covered contractual payment entitlement” or “covered contractual payment obligation,” respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a “financial institution” as that term is defined in FDICIA).

Section 14.05 The Parties expressly represent, warrant, acknowledge and agree that this Agreement constitutes a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code.

ARTICLE 15

DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS

The Parties acknowledge that they have been advised and understand that:

(a) in the case of Transactions in which one of the Parties is a broker or dealer registered with the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 do not protect the other Party with respect to any Transaction;

(b) in the case of Transactions in which one of the Parties is a government securities broker or a government securities dealer registered with the Securities and Exchange

Commission under Section 14C of the Securities Exchange Act of 1934, the Securities Investor Protection Act of 1970 will not provide protection to the other Party with respect to any Transaction;

(c) in the case of Transactions in which one of the Parties is a financial institution, funds held by the financial institution pursuant to a Transaction are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable; and

(d) in the case of Transactions in which one of the Parties is an "insured depository institution" as that term is defined in Section 1813(c)(2) of Title 12 of the United States Code, funds held by the financial institution pursuant to a Transaction are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund or the Bank Insurance Fund, as applicable.

ARTICLE 16

NO RELIANCE

Each Party acknowledges, represents and warrants to the other Party that, in connection with the negotiation of, entering into, and performance under, the Repurchase Documents and each Transaction:

(a) It is not relying (for purposes of making any investment decision or otherwise) on any advice, counsel or representations (whether written or oral) of the other Party, other than the representations expressly set forth in the Repurchase Documents;

(b) It has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction) based on its own judgment and on any advice from such advisors as it has deemed necessary and not on any view expressed by the other Party;

(c) It is a sophisticated and informed Person that has a full understanding of all the terms, conditions and risks (economic and otherwise) of the Repurchase Documents and each Transaction and is capable of assuming and willing to assume (financially and otherwise) those risks;

(d) It is entering into the Repurchase Documents and each Transaction for the purposes of managing its borrowings or investments or hedging its underlying assets or liabilities and not for purposes of speculation;

(e) It is not acting as a fiduciary or financial, investment or commodity trading advisor for the other Party and has not given the other Party (directly or indirectly through any other Person) any assurance, guaranty or representation whatsoever as to the merits (either legal, regulatory, tax, business, investment, financial accounting or otherwise) of the Repurchase Documents or any Transaction; and

(f) No partnership or joint venture exists or will exist as a result of the Transactions or entering into and performing the Repurchase Documents.

ARTICLE 17

SERVICING

This Article 17 shall apply to all Purchased Assets.

Section 17.01 Servicing Rights. Buyer is the owner of all Servicing Rights. Without limiting the generality of the foregoing, Buyer shall have the right to hire or otherwise engage any Person to service or sub-service all or part of the Purchased Assets, provided, however, that if any other Person other than Buyer is to act as Interim Servicer at any time prior to a Default or Event of Default, Sellers may select a successor servicer to Buyer, so long as such successor servicer is reasonably acceptable to Buyer, and such Person shall have only such servicing obligations with respect to such Purchased Assets as are designated by Buyer. Notwithstanding the preceding sentence, Buyer agrees with Sellers as follows with respect to the servicing of the Purchased Assets:

(a) Interim Servicer shall service the Purchased Assets on behalf of Buyer in accordance with Accepted Servicing Practices. So long as Interim Servicer is an Affiliate of Sellers, Interim Servicer shall service using its customary servicing platform and procedures, subject to the terms of the Servicing Agreement and the related cash management agreement, each of which shall be mutually acceptable to Buyer, Sellers and Interim Servicer.

(b) Contemporaneously with the execution of the Repurchase Agreement on the Closing Date, Buyer will enter into, and cause Interim Servicer to enter into, the Servicing Agreement and Sellers will enter into, the Servicing Agreement. The Servicing Agreement shall automatically terminate on the last day of the first full calendar month following the Closing Date, unless terminated sooner pursuant to Section 17.04. To the extent Buyer desires to renew the appointment of Interim Servicer, in connection with its delivery of a statement of Price Differential due on the following Remittance Date, Buyer shall deliver notice to Sellers and Interim Servicer of its intent to renew the appointment of Interim Servicer for an additional thirty-day period, provided, if Buyer fails to deliver such notice, Sellers shall have the right to request that Buyer deliver such notice on or before the Remittance Date. In the event Buyer fails to renew Interim Servicer's appointment as Interim Servicer, Buyer shall appoint a successor servicer (which successor servicer shall be Wells Fargo Bank, N.A. or such other successor to whom, so long as no default or Event of Default has occurred and is continuing, Sellers have provided their consent, such consent not to be unreasonably withheld, conditioned or delayed). Any such successor servicer shall be entitled to fees and other servicing compensation as agreed by such successor servicer, Buyer and, so long as no default or Event of Default has occurred and is continuing, Sellers. During such time as the appointment of Interim Servicer has expired and prior to the appointment of any successor servicer, Interim Servicer shall continue to service the Purchased Assets in accordance with the terms of the Servicing Agreement and shall cooperate with the transition of servicing to the successor servicer.

(c) Each Seller shall provide all information regarding Interim Servicer requested by Buyer and otherwise cooperate in connection with Buyer's due diligence regarding Interim Servicer, which due diligence with respect to information provided prior to the Closing Date shall be completed by Buyer on or before the Closing Date. Seller shall cause Interim Servicer to comply with all of Interim Servicer's obligations under the Servicing Agreement. Neither Seller nor Interim Servicer may assign its rights or obligations under the Servicing Agreement without the prior written consent of Buyer.

(d) The Servicing Agreement shall grant Sellers the right, so long as no Default or Event of Default has occurred and is continuing, to direct Interim Servicer with respect to modifications, waivers, consents and other actions related to the Purchased Assets; provided, however, that Sellers shall not and shall not direct Interim Servicer to (i) make any Material Modification without the prior written consent of Buyer (such consent to be given or withheld in Buyer's commercially reasonable discretion), or (ii) take any action which would result in a violation of the obligations of any Person under the Servicing Agreement, the Repurchase Agreement or any other Repurchase Document, or which would otherwise be inconsistent with the rights of Buyer under the Repurchase Documents. Buyer, as owner of the Purchased Assets, shall own all related servicing and voting rights and, as owner, shall act as Interim Servicer with respect to the Purchased Assets, subject to an interim revocable option from Buyer in favor of Sellers to direct Interim Servicer, so long as no Default or Event of Default has occurred and is continuing; provided, however, that Sellers cannot give any direction or take any action that could materially adversely affect the value or collectability of any amounts due with respect to the Purchased Assets without the consent of Buyer, such consent to be given or withheld by Buyers. Such revocable option is not evidence of any ownership or other interest or right of any Seller in any Purchased Asset.

(e) The servicing fee payable to Interim Servicer shall be payable as a servicing fee in accordance with the Repurchase Agreement and the Servicing Agreement, including without limitation pursuant to priority first of Section 5.02 of the Repurchase Agreement or priority first of Section 5.03 of the Repurchase Agreement, as applicable. Each Seller shall be solely responsible for the payment, from such Seller's own funds, of all fees and expenses of the Interim Servicer, which shall not be payable as a servicing fee by Interim Servicer or otherwise under the Repurchase Agreement or the Servicing Agreement.

Section 17.02 Accounts Related to Purchased Assets. All accounts directly related to the Purchased Assets shall be maintained at Wells Fargo Bank, N.A. acceptable to Buyer, and each Seller shall cause the Underlying Obligor to enter into the contractual arrangements with Buyer and such Seller that are necessary in order to create a perfected security interest in favor of Buyer in all such accounts, including, without limitation, an Account Control Agreement in form and substance reasonably acceptable to Buyer.

Section 17.03 Servicing Reports . Each Seller shall deliver to deliver to Buyer and Custodian a monthly remittance report on or before the third Business Day immediately prior to each Remittance Date containing servicing information, including those fields reasonably requested by Buyer from time to time, on an asset by asset and in the aggregate, with respect to the Purchased Assets for the month (or any portion thereof) before the date of such report.

Section 17.04 Event of Default . If an Event of Default or an Interim Servicer Event of Default exists, Buyer shall have the right at any time thereafter to terminate the Servicing Agreement and transfer the Servicing of the Purchased Assets to Buyer or its designee, at no cost or expense to Buyer, it being agreed that each Seller will pay any fees and expenses required to terminate such Servicing Agreement and transfer servicing to Buyer or its designee in such event.

ARTICLE 18

MISCELLANEOUS

Section 18.01 Governing Law . This Agreement and any claim, controversy or dispute arising under or related to or in connection with this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties will be governed by the laws of the State of New York without regard to any conflicts of law principles other than Section 5-1401 of the New York General Obligations Law.

Section 18.02 Submission to Jurisdiction; Service of Process . Each Party irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York, or in any court with jurisdiction that is located in Delaware, California or the state where the related Underlying Mortgaged Property is located, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Repurchase Documents, or for recognition or enforcement of any judgment, and each Party irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such State court or, to the fullest extent permitted by applicable law, in such Federal court. Each Party agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or the other Repurchase Documents shall affect any right that Buyer may otherwise have to bring any action or proceeding arising out of or relating to the Repurchase Documents against any Seller or its properties in the courts of any jurisdiction. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by Requirements of Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to the Repurchase Documents in any court referred to above, and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each Party irrevocably consents to service of process in the manner provided for notices in Section 18.12 . Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

Section 18.03 IMPORTANT WAIVERS .

(a) EACH SELLER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO ASSERT A COUNTERCLAIM, OTHER THAN A COMPULSORY COUNTERCLAIM, IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY BUYER OR ANY INDEMNIFIED PERSON.

(b) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN THEM, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH OR RELATED TO THE REPURCHASE DOCUMENTS, THE PURCHASED ASSETS, THE TRANSACTIONS, ANY DEALINGS OR COURSE OF CONDUCT BETWEEN THEM, OR ANY STATEMENTS (WRITTEN OR ORAL) OR OTHER ACTIONS OF EITHER PARTY. NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

(c) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, EACH SELLER HEREBY WAIVES ANY RIGHT TO CLAIM OR RECOVER IN ANY LITIGATION WHATSOEVER INVOLVING ANY INDEMNIFIED PERSON, ANY SPECIAL, EXEMPLARY, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE WHATSOEVER OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, WHETHER SUCH WAIVED DAMAGES ARE BASED ON STATUTE, CONTRACT, TORT, COMMON LAW OR ANY OTHER LEGAL THEORY, WHETHER THE LIKELIHOOD OF SUCH DAMAGES WAS KNOWN AND REGARDLESS OF THE FORM OF THE CLAIM OF ACTION AND BOTH SELLERS AND BUYER WAIVE ANY RIGHTS THEY MAY HAVE TO RECOVER PUNITIVE DAMAGES AGAINST THE OTHER IN ANY SUCH PROCEEDING. NO INDEMNIFIED PERSON SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY UNINTENDED RECIPIENTS OF ANY INFORMATION OR OTHER MATERIALS DISTRIBUTED BY IT THROUGH TELECOMMUNICATIONS, ELECTRONIC OR OTHER INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH ANY REPURCHASE DOCUMENT OR THE TRANSACTIONS.

(d) EACH PARTY CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY OR AN INDEMNIFIED PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY OR AN INDEMNIFIED PERSON WOULD NOT SEEK TO ENFORCE ANY OF THE WAIVERS IN THIS SECTION 18.03 IN THE EVENT OF LITIGATION OR OTHER CIRCUMSTANCES. THE SCOPE OF SUCH WAIVERS IS INTENDED TO BE ALL—ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE REPURCHASE DOCUMENTS, REGARDLESS OF THEIR LEGAL THEORY.

(e) EACH PARTY ACKNOWLEDGES THAT THE WAIVERS IN THIS SECTION 18.03 ARE A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT SUCH PARTY HAS ALREADY RELIED ON SUCH WAIVERS IN ENTERING INTO THE REPURCHASE DOCUMENTS, AND THAT SUCH PARTY WILL CONTINUE TO RELY ON SUCH WAIVERS IN THEIR RELATED FUTURE DEALINGS UNDER THE REPURCHASE DOCUMENTS. EACH PARTY FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED SUCH WAIVERS WITH ITS LEGAL

COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL AND OTHER RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

(f) THE WAIVERS IN THIS SECTION 18.03 ARE IRREVOCABLE, MEANING THAT THEY MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SHALL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO ANY OF THE REPURCHASE DOCUMENTS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) THE PROVISIONS OF THIS SECTION 18.03 SHALL SURVIVE TERMINATION OF THE REPURCHASE DOCUMENTS AND THE INDEFEASIBLE PAYMENT IN FULL OF THE REPURCHASE OBLIGATIONS.

Section 18.04 Integration . The Repurchase Documents supersede and integrate all previous negotiations, contracts, agreements and understandings (whether written or oral) between the Parties relating to a sale and repurchase of Purchased Assets and the other matters addressed by the Repurchase Documents, and contain the entire final agreement of the Parties relating to the subject matter thereof.

Section 18.05 Single Agreement . Each Seller agrees that (a) each Transaction is in consideration of and in reliance on the fact that all Transactions constitute a single business and contractual relationship, and that each Transaction has been entered into in consideration of the other Transactions, (b) a default by it in the payment or performance of any its obligations under a Transaction shall constitute a default by it with respect to all Transactions, (c) Buyer may set off claims and apply properties and assets held by or on behalf of Buyer with respect to any Transaction against the Repurchase Obligations owing to Buyer with respect to other Transactions, and (d) payments, deliveries and other transfers made by or on behalf of any Seller with respect to any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers with respect to all Transactions, and the obligations of such Seller to make any such payments, deliveries and other transfers may be applied against each other and netted.

Section 18.06 Use of Employee Plan Assets . No assets of an employee benefit plan subject to any provision of ERISA shall be used by either Party in a Transaction.

Section 18.07 Survival and Benefit of Sellers' Agreements . The Repurchase Documents and all Transactions shall be binding on and shall inure to the benefit of the Parties and their successors and permitted assigns. All of each Seller's representations, warranties, agreements and indemnities in the Repurchase Documents shall survive the termination of the Repurchase Documents and the payment in full of the Repurchase Obligations, and shall apply to and benefit all Indemnified Persons, Buyer and its successors and assigns, Eligible Assignees and Participants. No other Person shall be entitled to any benefit, right, power, remedy or claim under the Repurchase Documents.

Section 18.08 Assignments and Participations .

(a) Each Seller shall not sell, assign or transfer any of its rights or the Repurchase Obligations or delegate its duties under this Agreement or any other Repurchase Document without the prior written consent of Buyer, and any attempt by a Seller to do so without such consent shall be null and void. Buyer may at any time, without the consent of or notice to any Seller, sell participations to any Person (other than a natural person or Seller or Guarantor) (a " Participant ") in all or any portion of Buyer's rights and/or obligations under the Repurchase Documents; provided , that (i) Buyer's obligations and each Seller's rights and obligations under the Repurchase Documents shall remain unchanged, (ii) Buyer shall remain solely responsible to Sellers for the performance of such obligations, and (iii) Sellers shall continue to deal solely and directly with Buyer in connection with Buyer's rights and obligations under the Repurchase Documents. No Participant shall have any right to approve any amendment, waiver or consent with respect to any Repurchase Document, except to the extent that the Repurchase Price or Price Differential of any Purchased Asset would be reduced or the Repurchase Date of any Purchased Asset would be postponed. Each Participant shall be entitled to the benefits of Article 12 to the same extent as if it had acquired its interest by assignment pursuant to Section 18.08(e) ; so long as such Participant agrees to be subject to Section 12.06 as if it were an Eligible Assignee. To the extent permitted by Requirements of Law, each Participant shall be entitled to the benefits of Sections 10.02(j) and 18.17 to the same extent as if it had acquired its interest by assignment pursuant to Section 18.08(c) .

(b) Buyer may at any time, without consent of any Seller or Guarantor but upon notice to Sellers, sell and assign to any Eligible Assignee all or any portion of all of the rights and obligations of Buyer under the Repurchase Documents and, so long as no Default or Event of Default has occurred and is continuing, Buyer shall act as agent for the Eligible Assignee. Each such assignment shall be made pursuant to an Assignment and Acceptance substantially in the form of Exhibit F (an " Assignment and Acceptance "). From and after the effective date of such Assignment and Acceptance, (i) such Eligible Assignee shall be a Party and, to the extent provided therein, have the rights and obligations of Buyer under the Repurchase Documents with respect to the percentage and amount of the Repurchase Price allocated to it, (ii) Buyer shall, to the extent provided therein, if such Assignment and Acceptance is executed after an Event of Default, be released from such obligations (and, in the case of an Assignment and Acceptance covering all or the remaining portion of Buyer's obligations under this Agreement, Buyer shall cease to be a Party hereto), provided that (A) at all times prior to an Event of Default, Buyer shall remain solely responsible to Sellers for the performance of such obligations and (B) Buyer shall remain solely responsible for all claims which are based on events which occurred prior to the date of such Assignment and Acceptance, (iii) at all times prior to an Event of Default, Sellers shall continue to deal solely and directly with Buyer in connection with Buyer's rights and obligations under the Repurchase Documents, (iv) the obligations of Buyer shall be deemed to be so reduced, and (v) Buyer will give prompt written notice thereof (including identification of the Eligible Assignee and the amount of Repurchase Price allocated to it) to each Party (but Buyer shall not have any liability for any failure to timely provide such notice). Any sale or assignment by Buyer of rights or obligations under the Repurchase Documents that does not comply with this Section 18.08 (c) shall be treated for purposes of the Repurchase Documents as a sale by such Buyer of a participation in such rights and obligations in accordance with Section 18.08(b) . Notwithstanding the foregoing, so

long as no Default or Event of Default has occurred and is continuing, Buyer shall not assign, syndicate and/or participate any of its rights to any competitor of a Seller described on the attached Exhibit I hereto.

(c) Each Seller shall cooperate with Buyer in connection with any such sale and assignment of participations or assignments and shall enter into such restatements of, and amendments, supplements and other modifications to, the Repurchase Documents to give effect to any such sale or assignment; provided , that none of the foregoing shall change any economic or other material term of the Repurchase Documents in a manner adverse to a Seller without the consent of such Seller.

(d) Buyer shall have the right to partially or completely syndicate and or all of its rights under the Agreement and the other Repurchase Documents to any Eligible Assignee.

(e) Each Seller shall maintain a register (the " Register ") on which it will record the name and address of the Buyer and each assignee of any of its rights hereunder, and the Repurchase Price (and Price Differential) owing to each such Person pursuant to the terms of this Agreement and the other Repurchase Documents. Assignment by Buyer or any of Buyer's assignees of its rights hereunder may be effected only if a corresponding entry is made in the Register pursuant to this Section 18.08(f) . The entries in the Register shall be conclusive and binding for all purposes, absent manifest error. The Register shall be available for inspection by Buyer and any assignee of Buyer's rights hereunder at any reasonable time and from time to time upon reasonable prior notice.

(f) If Buyer sells a participation of its rights hereunder, it shall, acting solely for this purpose as a non-fiduciary agent of the applicable Seller, maintain a register (the " Participant Register ") on which it will record the name and address of each participant and the Repurchase Price (and Price Differential) of each participant's interest in such rights. The entries in the Participant Register shall be conclusive absent manifest error, and Buyer shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement. Buyer shall not have any obligation to disclose all or any portion of the Participant Register to any Person except to the extent that such disclosure is necessary to establish that the Transactions are maintained "in registered form" within the meaning of Treasury regulations section 5f.103-1(c).

Section 18.09 Ownership and Hypothecation of Purchased Assets . Title to all Purchased Assets shall pass to and vest in Buyer on the applicable Purchase Dates and, subject to the terms of the Repurchase Documents, Buyer or its designee shall have free and unrestricted use of all Purchased Assets and be entitled to exercise all rights, privileges and options relating to the Purchased Assets as the owner thereof, including rights of subscription, conversion, exchange, substitution, voting, consent and approval, and to direct any servicer or trustee. Buyer or its designee may engage in repurchase transactions with the Purchased Assets or otherwise sell, pledge, repledge, transfer, hypothecate, or rehypothecate the Purchased Assets, all on terms that Buyer may determine, so long as Buyer provides the applicable Seller with advance notice of them; provided , that no such transaction shall affect the obligations of Buyer to transfer the Purchased Assets to such Seller on the applicable Repurchase Dates free and clear of any pledge, Lien, security interest, encumbrance, charge or other adverse claim. In the event Buyer engages

in a repurchase transaction with any of the Purchased Assets or otherwise pledges or hypothecates any of the Purchased Assets, Buyer shall have the right to assign to Buyer's counterparty any of the applicable representations or warranties herein and the remedies for breach thereof, as they relate to the Purchased Assets that are subject to such repurchase transaction.

Section 18.10 Confidentiality. All information regarding the terms set forth in any of the Repurchase Documents or the Transactions shall be kept confidential and shall not be disclosed by either Party to any Person except (a) to the Affiliates of such Party or its or their respective directors, officers, employees, agents, advisors and other representatives who are informed of the confidential nature of such information and instructed to keep it confidential, (b) to the extent requested by any regulatory authority or required by Requirements of Law, (c) to the extent required to be included in the financial statements of either Party or an Affiliate thereof, (d) to the extent required to exercise any rights or remedies under the Repurchase Documents, Purchased Assets or Underlying Mortgaged Properties, (e) to the extent required to consummate and administer a Transaction, (f) to any actual or prospective Participant, Eligible Assignee or Hedge Counterparty which agrees to comply with this Section 18.10, and (g) in connection with a public market transaction of Guarantor, but only to the extent such disclosure is legally required pursuant to an applicable Requirement of Law; provided, that no such disclosure made with respect to any Repurchase Document shall include a copy of such Repurchase Document to the extent that a summary would suffice, but if it is necessary for a copy of any Repurchase Document to be disclosed, all pricing and other economic terms set forth therein shall be redacted before disclosure.

Section 18.11 No Implied Waivers. No failure on the part of Buyer to exercise, or delay in exercising, any right or remedy under the Repurchase Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy thereunder preclude any further exercise thereof or the exercise of any other right. The rights and remedies in the Repurchase Documents are cumulative and not exclusive of any rights and remedies provided by law. Application of the Default Rate after an Event of Default shall not be deemed to constitute a waiver of any Event of Default or Buyer's rights and remedies with respect thereto, or a consent to any extension of time for the payment or performance of any obligation with respect to which the Default Rate is applied. Except as otherwise expressly provided in the Repurchase Documents, no amendment, waiver or other modification of any provision of the Repurchase Documents shall be effective without the signed agreement of the applicable Seller and Buyer. Any waiver or consent under the Repurchase Documents shall be effective only if it is in writing and only in the specific instance and for the specific purpose for which given.

Section 18.12 Notices and Other Communications. Unless otherwise provided in this Agreement, all notices, consents, approvals, requests and other communications required or permitted to be given to a Party hereunder shall be in writing and sent prepaid by hand delivery, by certified or registered mail, by expedited commercial or postal delivery service, or by facsimile or email if also sent by one of the foregoing, to the address for such Party specified in Annex I or such other address as such Party shall specify from time to time in a notice to the other Party. Any of the foregoing communications shall be effective when delivered, if delivered prior to 4:00 PM recipient local time on a Business Day, and otherwise on the next succeeding Business Day. A Party receiving a notice that does not comply with the technical requirements

of this Section 18.12 may elect to waive any deficiencies and treat the notice as having been properly given.

Section 18.13 Counterparts; Electronic Transmission . Any Repurchase Document may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall together constitute but one and the same instrument. The parties agree that this Agreement, any documents to be delivered pursuant to this Agreement, any other Repurchase Document and any notices hereunder may be transmitted between them by email and/or facsimile. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties

Section 18.14 No Personal Liability . No administrator, incorporator, Affiliate, owner, member, partner, stockholder, officer, director, employee, agent or attorney of Buyer, any Indemnified Person, any Seller or Guarantor, as such, shall be subject to any recourse or personal liability under or with respect to any obligation of Buyer, any Seller or Guarantor under the Repurchase Documents, whether by the enforcement of any assessment, by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed that the obligations of Buyer, any Seller and Guarantor under the Repurchase Documents are solely their respective corporate, limited liability company or partnership obligations, as applicable, and that any such recourse or personal liability is hereby expressly waived. This Section 18.14 shall survive the termination of the Repurchase Documents.

Section 18.15 Protection of Buyer's Interests in the Purchased Assets; Further Assurances .

(a) Each Seller shall cause the Repurchase Documents and/or all financing statements and continuation statements and any other necessary documents covering the right, title and interest of Buyer to the Purchased Assets to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect such right, title and interest. Each Seller shall deliver to Buyer file—stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. Each Seller shall execute any and all documents reasonably required to fulfill the intent of this Section 18.15 .

(b) Each Seller will promptly at its expense execute and deliver such instruments and documents and take such other actions as Buyer may reasonably request from time to time in order to perfect, protect, evidence, exercise and enforce Buyer's rights and remedies under and with respect to the Repurchase Documents, the Transactions and the Purchased Assets.

(c) If either Seller fails to perform any of its Repurchase Obligations, Buyer may (but shall not be required to) perform or cause to be performed such Repurchase Obligation, and the costs and expenses incurred by Buyer in connection therewith shall be payable by Sellers. Without limiting the generality of the foregoing, each Seller authorizes Buyer, at the option of Buyer and the expense of such Seller, at any time and from time to time, to take all actions and pay all amounts that Buyer deems necessary or appropriate to protect, enforce,

preserve, insure, service, administer, manage, perform, maintain, safeguard, collect or realize on the Purchased Assets and Buyer's Liens and interests therein or thereon and to give effect to the intent of the Repurchase Documents. No Default or Event of Default shall be cured by the payment or performance of any Repurchase Obligation by Buyer on behalf of a Seller. Buyer may make any such payment in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax Lien, title or claim except to the extent such payment is being contested in good faith by a Seller in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP. Buyer shall endeavor to give Sellers notice prior to commencing any action under this Section 18.15(c), but the failure to do so shall have no adverse effect of any kind on Buyer.

(d) Without limiting the generality of the foregoing, each Seller will no earlier than six (6) months or later than three (3) months before the fifth (5th) anniversary of the date of filing of each UCC financing statement filed in connection with to any Repurchase Document or any Transaction, (i) deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement (provided that Buyer may elect to file such continuation statement), and (ii) deliver or cause to be delivered to Buyer an opinion of counsel, in form and substance reasonably satisfactory to Buyer, confirming and updating the opinion delivered pursuant to Section 6.01(a) with respect to perfection and otherwise to the effect that the security interests hereunder continue to be enforceable and perfected security interests, subject to no other Liens of record except as provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

(e) Except as provided in the Repurchase Documents, the sole duty of Buyer, Custodian or any other designee or agent of Buyer with respect to the Purchased Assets shall be to use reasonable care in the custody, use, operation and preservation of the Purchased Assets in its possession or control. Buyer shall incur no liability to any Seller or any other Person for any act of Governmental Authority, act of God or other destruction in whole or in part or negligence or wrongful act of custodians or agents selected by Buyer with reasonable care, or Buyer's failure to provide adequate protection or insurance for the Purchased Assets. Buyer shall have no obligation to take any action to preserve any rights of any Seller in any Purchased Asset against prior parties, and each Seller hereby agrees to take such action. Buyer shall have no obligation to realize upon any Purchased Asset except through proper application of any distributions with respect to the Purchased Assets made directly to Buyer or its agent(s). So long as Buyer and Custodian shall act in good faith in their handling of the Purchased Assets, each Seller waives or is deemed to have waived the defense of impairment of the Purchased Assets by Buyer and Custodian.

(f) At Buyer's election (at Buyer's sole cost and expense) and at any time during the term of this Agreement, Buyer may complete and record any or all of the Blank Assignment Documents as further evidence of Buyer's ownership interest in the related Purchased Assets.

Section 18.16 Default Rate. To the extent permitted by Requirements of Law, each Seller shall pay interest at the Default Rate on the amount of all Repurchase Obligations

(other than payments of Price Differential calculated at the Default Rate) not paid when due under the Repurchase Documents until such Repurchase Obligations are paid or satisfied in full.

Section 18.17 Set-off . In addition to any rights now or hereafter granted under the Repurchase Documents, Requirements of Law or otherwise, each Seller hereby grants to Buyer and each Indemnified Person, to secure repayment of the Repurchase Obligations, a right of set-off upon any and all of the following: monies, securities, collateral or other property of each Seller and any proceeds from the foregoing, now or hereafter held or received by Buyer, any Affiliate of Buyer or any Indemnified Person, for the account of any Seller, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general, specified, special, time, demand, provisional or final) and credits, claims or Indebtedness of a Seller at any time existing, and any obligation owed by Buyer or any Affiliate of Buyer to a Seller and to set—off against any Repurchase Obligations or Indebtedness owed by any Seller and any Indebtedness owed by Buyer or any Affiliate of Buyer to Seller, in each case whether direct or indirect, absolute or contingent, matured or unmatured, whether or not arising under the Repurchase Documents and irrespective of the currency, place of payment or booking office of the amount or obligation and in each case at any time held or owing by Buyer, any Affiliate of Buyer or any Indemnified Person to or for the credit of a Seller, without prejudice to Buyer's right to recover any deficiency. Each of Buyer, each Affiliate of Buyer and each Indemnified Person is hereby authorized upon any amount becoming due and payable by a Seller to Buyer or any Indemnified Person under the Repurchase Documents, the Repurchase Obligations or otherwise or upon the occurrence of an Event of Default, without notice to any Seller, any such notice being expressly waived by each Seller to the extent permitted by any Requirements of Law, to set—off, appropriate, apply and enforce such right of set—off against any and all items hereinabove referred to against any amounts owing to Buyer or any Indemnified Person by a Seller under the Repurchase Documents and the Repurchase Obligations, irrespective of whether Buyer, any Affiliate of Buyer or any Indemnified Person shall have made any demand under the Repurchase Documents and regardless of any other collateral securing such amounts, and in all cases without waiver or prejudice of Buyer's rights to recover a deficiency. Each Seller shall be deemed directly indebted to Buyer and the other Indemnified Persons in the full amount of all amounts owing to Buyer and the other Indemnified Parties by any Seller under the Repurchase Documents and the Repurchase Obligations, and Buyer and the other Indemnified Persons shall be entitled to exercise the rights of set—off provided for above. ANY AND ALL RIGHTS TO REQUIRE BUYER OR OTHER INDEMNIFIED PERSONS TO EXERCISE THEIR RIGHTS OR REMEDIES WITH RESPECT TO THE PURCHASED ASSETS OR OTHER INDEMNIFIED PERSONS UNDER THE REPURCHASE DOCUMENTS, PRIOR TO EXERCISING THE FOREGOING RIGHT OF SET—OFF, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED BY EACH SELLER.

Buyer or any Indemnified Person shall promptly notify the applicable Seller after any such set-off and application made by Buyer or such Indemnified Person, provided that the failure to give such notice shall not affect the validity of such set—off and application. If an amount or obligation is unascertained, Buyer may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant Party accounting to the other Party when the amount or obligation is ascertained. Nothing in this Section 18.17 shall be effective to create a charge or other security interest. This Section 18.17 shall be without prejudice and in addition to

any right of set-off, combination of accounts, Lien or other rights to which any Party is at any time otherwise entitled.

Section 18.18 Sellers' Waiver of Setoff . Each Seller hereby waives any right of setoff it may have or to which it may be or become entitled under the Repurchase Documents or otherwise against Buyer, any Affiliate of Buyer, any Indemnified Person or their respective assets or properties.

Section 18.19 Power of Attorney . Each Seller hereby authorizes Buyer to file such financing statement or statements relating to the Purchased Assets without such Seller's signature thereon as Buyer, at its option, may deem appropriate. Each Seller hereby appoints Buyer as such Seller's agent and attorney in fact to execute any such financing statement or statements in such Seller's name and to perform all other acts which Buyer deems appropriate to perfect and continue its ownership interest in and/or the security interest granted hereby, if applicable, and at all times after the occurrence of a Default or an Event of Default to protect, preserve and realize upon the Purchased Assets, including, but not limited to, the right to endorse notes, complete blanks in documents, transfer servicing, and sign assignments on behalf of such Seller as its agent and attorney in fact. This agency and power of attorney is coupled with an interest and is irrevocable without Buyer's consent. Each Seller shall pay the filing costs for any financing statement or statements prepared pursuant to this Section 18.19 .

Section 18.20 Periodic Due Diligence Review . Buyer may perform continuing due diligence reviews with respect to the Purchased Assets, each Seller, Guarantor, Interim Servicer and Manager, including ordering new third party reports, for purposes of, among other things, verifying compliance with the representations, warranties, covenants, agreements, duties, obligations and specifications made under the Repurchase Documents or otherwise. Upon reasonable prior notice to the applicable Seller, unless a Default or Event of Default exists, in which case no notice is required, Buyer or its representatives may during normal business hours inspect any properties and examine, inspect and make copies of the books and records of such Seller, Guarantor, Interim Servicer and Manager, the Mortgage Loan Documents and the Servicing Files, except that such rights shall not apply with respect to assets other than the Purchased Assets. Each Seller shall make available to Buyer one or more knowledgeable financial or accounting officers for the purpose of answering questions of Buyer concerning any of the foregoing. Each Seller shall cause Interim Servicer to cooperate with Buyer by permitting Buyer to conduct due diligence reviews of the Servicing Files. Buyer may purchase Purchased Assets from a Seller based solely on the information provided by such Seller to Buyer in the Underwriting Package and the representations, warranties, duties, obligations and covenants contained herein, and Buyer may at any time conduct a partial or complete due diligence review on some or all of the Purchased Assets, including ordering new credit reports and new Appraisals on the Underlying Mortgaged Properties and otherwise re-generating the information used to originate and underwrite such Purchased Assets. Buyer may underwrite such Purchased Assets itself or engage a mutually acceptable third-party underwriter to do so. Each Seller shall reimburse Buyer for all actual, out-of-pocket, third-party costs and expenses incurred in connection with the activities described in this Section 18.20 ,

subject to an annual, calendar year dollar cap of $30,000.

Section 18.21 Time of the Essence . Time is of the essence with respect to all obligations, duties, covenants, agreements, notices or actions or inactions of the parties under the Repurchase Documents.

Section 18.22 Joint and Several Repurchase Obligations .

(a) Each Seller hereby acknowledges and agrees that (i) each Seller shall be jointly and severally liable to Buyer to the maximum extent permitted by Requirements of Law for all Repurchase Obligations, (ii) until all Repurchase Obligations shall have been paid in full and the expiration of any applicable preference or similar period pursuant to any Insolvency Law, or at law or in equity, has expired, the liability of each Seller (A) shall be absolute and unconditional and shall remain in full force and effect (and, if suspended or terminated, shall be reinstated) and, for the avoidance of doubt, such liability shall be absolute and unconditional and shall remain in full force and effect even if Buyer shall not make a claim before the expiration of such period asserting an interest in all or any part of any payment(s) received by Buyer, and (B) shall not be discharged, affected, modified or impaired on the occurrence from time to time of any event, including, but limited to, any of the following events, whether or not with notice to, or the consent of, each or any Seller: (1) the waiver, forbearance, compromise, settlement, release, termination, modification or amendment (including, but not limited to, any extension or postponement of the time for payment or performance or renewal or refinancing) of any of the Repurchase Obligations, (2) the failure to give notice to each or any Seller of the occurrence of a Default or an Event of Default, (3) the release, substitution or exchange by Buyer of any Purchased Asset (with or without consideration) or the acceptance by Buyer of any additional collateral or the availability or claimed availability of any other collateral or source of repayment or any nonperfection, subordination of priority (whether at law or equity) or any other impairment of any collateral, (4) the full or partial release of, or waiver or forbearance from enforcing any rights against, any Person primarily or secondarily liable for payment or performance of all or any part of the Repurchase Obligations, whether or not by Buyer, and whether or not in connection with any Insolvency Proceeding affecting any Seller or any other Person, has (x) any obligations in respect of the Repurchase Obligations or any part thereof, or (y) granted any security interest in any of its collateral as security for any of the Repurchase Obligations, or (5) to the extent permitted by Requirements of Law, any other event, occurrence, action or circumstance that would, in the absence of this Section 18.22 , result in the release or discharge, in whole or in part, of any or all of Sellers from the payment, performance or observance of any Repurchase Obligation, (iii) Buyer shall not be required first to initiate any suit or to attempt to enforce or exhaust its remedies against any Seller or any other Person, in order to enforce the Transaction Documents or seek payment and/or performance of any or all of the Repurchase Obligations against any Seller and each Seller expressly agrees that, notwithstanding the occurrence of any of the foregoing, each Seller is and shall remain directly and primarily liable for all sums due under any of the Transaction Documents, including, but not limited to, all of the Repurchase Obligations, (iv) when making any demand hereunder against any Seller, Buyer may, but shall be under no obligation to, make a similar demand on any other Seller, and (x) any failure by Buyer to make any such demand, enforce or attempt to enforce any of Buyer's rights, or collect or attempt to collect any payments from any other Seller, or (y) any release by Buyer of any other Seller shall not, in either case, relieve any Seller of its obligations or liabilities hereunder or under any other Transaction Document, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law or equity, of Buyer against any

Seller or all of the Sellers, and (v) on disposition by Buyer of any collateral securing any of the Repurchase Obligations, each Seller shall be and shall remain jointly and severally liable for any deficiency.

(b) To the extent that any Seller (the " Paying Seller ") pays more than its proportionate share of any payment made hereunder, the paying Seller shall be entitled to seek and receive contribution from and against any other Seller that has not paid its proportionate share; provided , that the provisions of this Section 18.22 shall not limit the duties, covenants, agreements, obligations and liabilities of any Seller to Buyer, and, notwithstanding any payment or payments made by the paying Seller hereunder or any setoff or application of funds of the paying Seller by Buyer, the paying Seller shall not be entitled to be subrogated to any of the rights of Buyer against any other Seller or any collateral security or guarantee or right of setoff held by Buyer, nor shall the paying Seller seek or be entitled to seek any contribution or reimbursement from any other Seller in respect of payments made by the paying Seller hereunder, until all Repurchase Obligations are paid in full. If any amount shall be paid to the paying Seller on account of such subrogation rights at any time when all such amounts shall not have been paid in full, such amount shall be held by the paying Seller in trust for Buyer, segregated from other funds of the paying Seller, and shall, forthwith upon receipt by the paying Seller, be turned over to Buyer in the exact form received by the paying Seller (duly indorsed by the paying Seller to Buyer, if required), to be applied against the Repurchase Obligations, whether matured or unmatured, in such order as Buyer may determine.

(c) The Repurchase Obligations are full recourse obligations to each Seller, and each Seller hereby forever waives, demises, acquits and discharges any and all defenses, and shall at no time assert or allege any defense, to the contrary.

Section 18.23 Patriot Act Notice . Buyer hereby notifies each Seller that Buyer is required by the Patriot Act to obtain, verify and record information that identifies such Seller.

Section 18.24 Successors and Assigns . Subject to the foregoing, the Repurchase Documents and any Transactions shall be binding upon and shall inure to the benefit of the Parties and their successors and permitted assigns.

Section 18.25 Acknowledgement of Anti-Predatory Lending Policies . Each Seller and Buyer each have in place internal policies and procedures that expressly prohibit their purchase of any high cost mortgage loan.

Section 18.26 Effect of Amendment and Restatement . From and after the date hereof, the Original Repurchase Agreement shall be amended, restated and superseded in its entirety by this Agreement. The parties hereto acknowledge and agree that the liens and security interests granted under the Original Repurchase Agreement are, in each case, continuing in full force and effect and, upon the amendment and restatement of the Original Repurchase Agreement pursuant to this Agreement, such liens and security interests secure and continue to secure the payment of the Repurchase Obligations.[ONE OR MORE UNNUMBERED SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed as of the date first above written.

SELLERS:

ACRC LENDER W LLC, a Delaware limited liability company

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

ACRC LENDER W TRS LLC, a Delaware limited liability company

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

BUYER:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

By: /s/ John Nelson
Name: John Nelson
Title: Managing Director

Exhibit 10.12

Execution Copy

AMENDED AND RESTATED CUSTODIAL AGREEMENT

among

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Buyer,

ACRC LENDER W LLC,

and

ACRC LENDER W TRS LLC,

as Sellers,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION ,
as Custodian

Dated as of December 20, 2013

TABLE OF CONTENTS

		Page
	ARTICLE I	
	DEFINITIONS	
Section 1.01	Defined Terms	2
Section 1.02	General Interpretative Principles	4
	ARTICLE II	
	DELIVERY OF MORTGAGE ASSET FILE	
Section 2.01	Delivery	5
	ARTICLE III	
	ASSET SCHEDULE AND EXCEPTION REPORT; TRUST RECEIPT	
Section 3.01	Asset Schedule and Exception Report; Trust Receipt	10
Section 3.02	Custodian	11
Section 3.03	Discrepancies	12
	ARTICLE IV	
	OBLIGATIONS OF CUSTODIAN	
Section 4.01	Custody	12
Section 4.02	Obligations	12
Section 4.03	Levy, Attachment and Other Court Orders	12
Section 4.04	Pledge or Rehypothecation	12
	ARTICLE V	
	RELEASE OF MORTGAGE ASSET FILES	
Section 5.01	Release of Documentation	13
Section 5.02	Release of Mortgage Asset File and Documentation	13
Section 5.03	Release to Third-Party	14
Section 5.04	Other Release	14
Section 5.05	Notification by Buyer	15
Section 5.06	Tracking	15
Section 5.07	Method of Shipment	15

ARTICLE VI

FEES AND EXPENSES OF CUSTODIAN

Section 6.01 Fees 15

ARTICLE VII

REMOVAL OR RESIGNATION OF CUSTODIAN

Section 7.01 Resignation 16
Section 7.02 Removal and Discharge 16
Section 7.03 Successor 16

ARTICLE VIII

EXAMINATION OF FILES, BOOKS AND RECORDS

Section 8.01 Examination 17

ARTICLE IX

INSURANCE

Section 9.01 Insurance 17

ARTICLE X

REPRESENTATIONS AND WARRANTIES

Section 10.01 Custodian Representations and Warranties 17
Section 10.02 Seller Representations and Warranties 18

ARTICLE XI

MISCELLANEOUS

Section 11.01 No Adverse Interest 19
Section 11.02 Indemnification 19
Section 11.03 Reliance of Custodian 20
Section 11.04 Term of Agreement 21
Section 11.05 Notices 21
Section 11.06 Governing Law 21
Section 11.07 Authorized Representatives 22
Section 11.08 Amendment 22
Section 11.09 Cumulative Rights 22

Section 11.10	Assignment; Binding Upon Successors	22
Section 11.11	Entire Agreement; Severability	22
Section 11.12	Execution in Counterparts	23
Section 11.13	Tax Reports	23
Section 11.14	Assignment by Buyer	23
Section 11.15	SUBMISSION TO JURISDICTION; WAIVERS	23
Section 11.16	Confidentiality	24
Section 11.17	Effect of Amendment and Restatement	24

Annex 1	Form of Mortgage Asset File Checklist
Annex 2	Trust Receipt
Annex 3	[Reserved]
Annex 4	Review Procedures
Annex 5-A	Request For Release And Receipt
Annex 5-B	Form of Request For Release of Documents And Receipt
Annex 5-C	Request For Release
Annex 6	Authorized Representatives of Buyer
Annex 7	Authorized Representatives of Seller
Annex 8	Authorized Representatives of Custodian
Annex 9	Form of Lost Note Affidavit/Assignment of Mortgage
Annex 10	Form of Transmittal & Bailment Letter
Annex 11	Form of Bailee Agreement

AMENDED AND RESTATED CUSTODIAL AGREEMENT

This CUSTODIAL AGREEMENT, dated as of December 20, 2013 (as amended, restated, supplemented or otherwise modified and in effect from time to time, this " Agreement ") is made by and among:

(i) **WELLS FARGO BANK, NATIONAL ASSOCIATION** , a national banking association (including its successors in interest, " Buyer ")

(ii) **ACRC LENDER W LLC,** a Delaware limited liability company (" Existing Seller "), and **ACRC LENDER W TRS LLC** , a Delaware limited liability company (" New Seller " and together with Existing Seller, individually and collectively as the context may require, including each of their successors in interest, " Seller "); and

(iii) **WELLS FARGO BANK, NATIONAL ASSOCIATION** , as custodian for Buyer pursuant to this Agreement (in such capacity, including its successors in interest and any successor Custodian as permitted hereunder, " Custodian ").

RECITALS

Existing Seller and Buyer are parties to that certain Master Repurchase and Securities Contract, dated as of December 14, 2011 (as amended by (a) Amendment No. 1 to Master Repurchase and Securities Contract, dated as of May 22, 2012, (b) Amendment No. 2 to Master Repurchase and Securities Contract, dated as of June 27, 2013, and (c) Amendment No. 3 to Master Repurchase and Securities Contract, dated as of November 8, 2013, the " Original Repurchase Agreement "), pursuant to which Buyer agreed, subject to the terms and conditions of the Original Repurchase Agreement, that Buyer may from time to time enter into one or more Transactions consisting of a purchase by Buyer from Existing Seller of certain Purchased Assets and the subsequent repurchase by Existing Seller from Buyer of such Purchased Assets.

Existing Seller, Buyer and Custodian are parties to that certain Custodial Agreement, dated as of December 14, 2011 (the " Original Custodial Agreement "), providing for the appointment of Custodian as custodian thereunder.

Pursuant to that certain Amended and Restated Master Repurchase and Securities Contract, dated as of the date hereof (as amended restated, supplemented or otherwise modified from time to time, the " Repurchase Agreement "), among Existing Seller, New Seller and Buyer, Existing Seller and Buyer have agreed to amend and restate the Original Repurchase Agreement so as to join New Seller as an additional Seller thereunder, jointly and severally, with Existing Seller.

It is a condition precedent to the effectiveness of the Repurchase Agreement that the parties hereto execute and deliver this Agreement to amend and restate the Original Custodial Agreement in its entirety and to provide for the appointment of Custodian as custodian hereunder. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms . Unless otherwise defined herein, capitalized terms used herein and defined in the Repurchase Agreement shall have the respective meanings given them in the Repurchase Agreement, and the following terms shall have the following meanings:

" Asset Detail Report ": A report generated in written or electronic format by Custodian containing a list of the Purchased Assets held by it under this Agreement from time to time.

" Asset Schedule and Exception Report ": With respect to any Mortgage Asset File, (1) the Mortgage Asset Schedule; (2) an inventory report listing each of the documents in the Mortgage Asset File being held by Custodian for the benefit of Buyer in respect thereof; and (3) a list of codes identifying all Exceptions related thereto. Each Asset Schedule and Exception Report shall set forth (a) the Purchased Assets being sold to Buyer on any applicable Purchase Date as well as the Purchased Assets previously sold to Buyer and held by Custodian hereunder, (b) all Exceptions with respect thereto, with any updates thereto from the time last delivered, (c) upon a Request for Release from Seller pursuant to Section 5.03 hereof, shipping information, including airbill number and name and address and (d) the number of days elapsed since the date of shipment referred to in clause (c).

" Authorized Representative ": The meaning specified in Section 11.07 of this Agreement.

" Bailee Agreement ": An agreement substantially in the form attached hereto as Annex 11 , delivered by Bailee to Buyer and Custodian with respect to each Wet Mortgage Asset in accordance with the terms hereof and of Section 3.01 of the Repurchase Agreement.

" Business Day ": Any day other than (i) a Saturday or Sunday or (ii) a day on which banks in the State of New York (or state in which any of Seller, Custodian or Buyer is located) is authorized or obligated by law or executive order to be closed.

" Buyer ": The meaning specified in the preamble to this Agreement.

" Custodial Delivery Failure ": The meaning specified in Section 11.02(b) .

" Custodian ": The meaning specified in the preamble to this Agreement.

" Electronic Transmission ": The delivery of information in an electronic format acceptable to the applicable recipient thereof.

" Exception ": (i) With respect to any Purchased Asset, any variance from the applicable delivery requirements of Section 2.01 hereof with respect to the related Mortgage Asset File (giving effect to Seller's right to deliver certified copies in lieu of original documents in certain circumstances), including any variance from the documents purported to be delivered in any related Mortgage Asset File Checklist or (ii) any Mortgage Loan Document which has

been released from the possession of Custodian for a period in excess of twenty (20) calendar days.

" Lost Note Affidavit ": The meaning specified in Section 11.02(b) .

" Mezzanine Loan ": A performing mezzanine loan secured by pledges of the Equity Interests of an Underlying Obligor or that portion of the Equity Interest that includes the general partnership, managing member or other controlling interest (including the right to take title to and sell the related Underlying Mortgaged Property) that owns income producing commercial real estate which is a Type of Mortgaged Property and for which the combined DSCR is not less than that set forth in the related Confirmation, taking into account any senior or *pari passu* Indebtedness secured directly or indirectly by the related Underlying Mortgaged Property, including any Preferred Equity interest or Mezzanine Debt that is senior to or *pari passu* with the related Asset.

" Mezzanine Note ": The original executed promissory note or other tangible evidence of Mezzanine Loan indebtedness.

" Mortgage Asset Documents ": With respect to a Purchased Asset, the documents comprising the Mortgage Asset File for such Purchased Asset.

" Mortgage Asset File ": As to each Purchased Asset, those documents listed in the applicable subsection of Section 2.01 that are required to be delivered to Custodian or which at any time come into the possession of Custodian.

" Mortgage Asset File Checklist ": As to each Purchased Asset, a document checklist substantially in the form attached as Annex 1 hereto.

" Mortgage Asset Schedule ": With respect to any Mortgage Asset File, a list of the related Purchased Assets, which list shall specify standard loan information including the loan number, loan amount, and borrower name.

" Originator ": With respect to each Purchased Asset, the Person who originated or issued, as applicable, such Purchased Asset.

" Participation Agreement ": With respect to any Senior Interest, the participation agreement or similar agreement under which such Senior Interest was created, if any.

" Pledge and Security Agreement ": The Amended and Restated Pledge and Security Agreement, dated as of the date hereof, between Buyer and ACRC Lender LLC, as amended, modified, waived, supplemented, extended, restated or replaced from time to time.

" Repurchase Agreement ": The meaning specified in the Recitals.

" Request for Release ": A request of Seller in the form of Annex 5-C hereto.

" Request for Release and Receipt ": A request of Seller in the form of Annex 5-A hereto.

" Request for Release of Documents and Receipt ": A request of Seller in the form of Annex 5-B hereto.

" Review Procedures ": The procedures set forth on Annex 4 hereto.

" Security Agreement ": With respect to any Purchased Asset, any security agreement, chattel mortgage or equivalent instrument, whether contained in the related Mortgage or executed separately, creating in favor of the holder of such Mortgage a security interest in the personal property constituting security for repayment of such Purchased Asset.

" Transmittal Letter " shall mean the Transmittal and Bailment Letter in the form of Annex 10 hereto.

" Trust Receipt ": A trust receipt in the form annexed hereto as Annex 2 delivered to Buyer by Custodian covering all of the Purchased Assets subject to this Agreement from time to time, as reflected on the Asset Schedule and Exception Report attached thereto in accordance with Section 3.02 .

" UCC ": The Uniform Commercial Code in effect in the applicable jurisdiction.

Section 1.02 General Interpretative Principles . For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Agreement include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time;

(c) references herein to "Articles", "Sections", "Subsections", "Paragraphs", and other Subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Agreement;

(d) reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision

(f) the term "include" or "including" shall mean without limitation by reason of enumeration; and

(g) the headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

ARTICLE II

DELIVERY OF MORTGAGE ASSET FILE

Section 2.01 Delivery . With respect to each Purchased Asset proposed to be purchased under the Repurchase Agreement, Seller shall deliver to Custodian, in accordance with the required delivery times set forth in Section 3.01 hereof, the following documents, as applicable to the respective Class of such Purchased Asset, each of which documents shall be identified in the related Mortgage Asset File Checklist delivered in advance to Custodian:

(a) **With respect to each Whole Loan**

(i) the original executed Mortgage Note relating to such Whole Loan, which Mortgage Note shall (A) be endorsed (either on the face thereof or pursuant to a separate allonge) by the most recent endorsee prior to Seller, without recourse, to the order of Seller and further reflect a complete, unbroken chain of endorsement from the related Originator to Seller and be accompanied by a separate allonge pursuant to which Seller has endorsed such Mortgage Note, without recourse, in blank or (B) with respect to any participation interest, endorsed by the most recent endorsee prior to Seller, without recourse, to the order of Seller and further reflect a complete, unbroken chain of endorsement from the original participation holder to Seller and be endorsed by Seller, without recourse, in blank;

(ii) true and correct copies of each Mortgage, each with evidence of recording, as well as any related loan agreement, intercreditor agreement, co-lender agreement, environmental indemnity agreement, guarantee agreement, letter of credit, lockbox agreement, cash management agreement, construction contract (if any) and all other material documents (including, without limitation, opinions of counsel) or agreements, relating to such Whole Loan or affecting the rights (including, without limitation, the security interests) of any holder thereof;

(iii) as applicable, true and correct copies of any assignment, assumption, modification, consolidation or extension made prior to the related Purchase Date in respect of the Mortgage Note or any document or agreement referred to in clause (ii) above, in each case, if the document or agreement being assigned, assumed, modified, consolidated or extended is recordable, with evidence of recording thereon (unless the particular item has not been returned from the applicable recording office);

(iv) as applicable, an original assignment of each agreement referred to in clause (ii) above, in recordable form if the agreement being assigned is a recordable document, executed in blank by Seller;

(v) copies of all UCC financing statements filed in respect of such Whole Loan prior to the related Purchase Date, including all amendments and assignments related thereto, if any, in each case with evidence of filing in the applicable jurisdiction indicated thereon;

(vi) except with respect to a participation interest, as applicable, an original assignment of each UCC financing statement filed in respect of such Whole Loan prepared in blank, in form suitable for filing;

(vii) the related original omnibus assignment, if any, executed in blank;

(viii) a copy of the related lender's title insurance policy (provided that any Exception to this item shall note whether the related Mortgage Asset File includes a "marked-up" commitment for title insurance marked as binding and countersigned or evidenced as binding by an escrow letter or closing instructions);

(ix) a copy of a survey of the related Underlying Mortgaged Property, together with the surveyor's certificate thereon;

(x) a copy of any power of attorney relating to such Whole Loan;

(xi) a copy of any Ground Lease and/or Ground Lease estoppels relating to the related Underlying Mortgaged Property;

(xii) any additional documents identified on the related Mortgage Asset File Checklist delivered to Custodian in accordance with Section 3.01(a) hereof; and

(xiii) any additional documents required to be added to the related Mortgage Asset File pursuant to this Agreement or the Repurchase Agreement.

(b) **With respect to each Senior Interest:**

(i) the original executed Senior Interest Note relating to such interest, which Senior Interest Note shall (A) with respect to any promissory note, be endorsed (either on the face thereof or pursuant to a separate allonge) by the most recent endorsee prior to Seller, without recourse, to the order of Seller and further reflect a complete, unbroken chain of endorsement from the related Originator to Seller and be accompanied by a separate allonge pursuant to which Seller has endorsed such Senior Interest Note, without recourse, in blank or (B) with respect to any participation interest, endorsed by the most recent endorsee prior to Seller, without recourse, to the order of Seller and further reflect a complete, unbroken chain of endorsement from the original participation holder to Seller and be endorsed by Seller, without recourse, in blank;

(ii) true and correct copies of the related intercreditor agreement, if any, and all other material documents (including, without limitation, opinions of counsel) or agreements relating to the creation or issuance of such Senior Interest or affecting the rights (including, without limitation, the security interests) of any holder thereof, if any;

(iii) as applicable, true and correct copies of any assignment, assumption, modification, consolidation or extension made prior to the Purchase Date in respect of such Senior Interest or any document or agreement referred to in clause (ii) above, in each case, if the document or agreement being assigned, assumed, modified, consolidated

or extended is recordable, with evidence of recording thereon (unless the particular item has not been returned from the applicable recording office);

(iv) as applicable, an original assignment of each agreement referred to in clause (ii) above, in recordable form if the agreement being assigned is a recordable document, executed in blank by Seller;

(v) copies of all UCC financing statements, if any, filed in respect of such Senior Interest prior to the related Purchase Date, including all amendments and assignments related thereto, if any, in each case with evidence of filing in the applicable jurisdiction indicated thereon;

(vi) if applicable, an original assignment of each UCC financing statement filed in respect of such Senior Interest, prepared in blank, in form suitable for filing;

(vii) the related original omnibus assignment, if any, executed in blank;

(viii) a copy of the related lender's title insurance policy (provided that any Exception to this item shall note whether the related Mortgage Asset File includes a "marked-up" commitment for title insurance marked as binding and countersigned or evidenced as binding by an escrow letter or closing instructions);

(ix) a survey of the related Underlying Mortgaged Property, together with the surveyor's certificate thereon, to the extent in Seller's possession;

(x) if applicable, a copy of any power of attorney relating to such Senior Interest;

(xi) a copy of any Ground Lease and/or Ground Lease estoppels relating to the related Underlying Mortgaged Property;

(xii) any additional documents identified on the related Mortgage Asset File Checklist delivered to Custodian in accordance with Section 3.01(a) hereof; and

(xiii) any additional documents required to be added to the related Mortgage Asset File pursuant to this Agreement or the Repurchase Agreement.

(c) With respect to each Mezzanine Loan:

(i) the original executed Mezzanine Note relating to such Mezzanine Loan, which Mezzanine Note shall (A) be endorsed (either on the face thereof or pursuant to a separate allonge) by the most recent endorsee prior to the applicable Seller, without recourse, to the order of such Seller and further reflect a complete, unbroken chain of endorsement from the related Originator to such Seller and (B) be accompanied by a separate allonge pursuant to which such Seller has endorsed such Note, without recourse, in blank;

(ii) true and correct copies of the related intercreditor agreement and the related Pledge and Security Agreement and all other material documents (including, without limitation, opinions of counsel) or agreements relating to such Mezzanine Loan or affecting the rights (including, without limitation, the security interests) of any holder thereof;

(iii) as applicable, true and correct copies of any assignment, assumption, modification, consolidation or extension made prior to the related Purchase Date in respect of such Mezzanine Note or any document or agreement referred to in clause (ii) above, in each case, if the document or agreement being assigned, assumed, modified, consolidated or extended is recordable, with evidence of recording thereon (unless the particular item has not been returned from the applicable recording office);

(iv) as applicable, an original assignment of each agreement referred to in clause (ii) above, in recordable form if the agreement being assigned is a recordable document, executed in blank by the applicable Seller;

(v) each original certificate, if any, representing the related Pledged Collateral (as defined in the Pledge and Security Agreement), together with an undated stock power covering each such certificate, duly executed in blank;

(vi) copies of all UCC financing statements filed in respect of such Mezzanine Loan prior to the related Purchase Date, including all amendments and assignments related thereto, if any, in each case with evidence of filing in the applicable jurisdiction indicated thereon;

(vii) an original assignment of each UCC financing statement filed in respect of such Mezzanine Loan, prepared in blank, in form suitable for filing;

(viii) the related original omnibus assignment, if any, executed in blank;

(ix) the original Eagle 9 insurance policy (provided that any Exception to this item shall note whether the related Mortgage Asset File includes a "marked up" commitment marked as binding and countersigned or evidenced as binding by an escrow letter or closing instructions), if any, together with a mezzanine endorsement, if any, and date down to owner's policy, if any;

(x) any additional documents identified on the related Mortgage Asset File Checklist delivered to Custodian in accordance with Section 3.01(a) hereof; and

(xi) any additional documents required to be added to the related Mortgage Asset File pursuant to this Agreement or the Repurchase Agreement.

To the extent required to be recorded, the original assignments required to be delivered pursuant to Section 2.01(a) - (c) above may be in the form of one or more instruments in recordable form in any applicable filing offices. Each of the documents referred to in Section 2.01(a) - (c) shall be executed, as applicable, by all relevant Persons.

(d) **With respect to each Mortgage Asset File:**

(i) From time to time, Seller shall forward to Custodian additional original documents or additional documents evidencing any assumption, modification, consolidation or extension of the related Purchased Asset approved by Seller, in accordance with the terms of the Repurchase Agreement, and upon receipt of any such other documents, Custodian shall hold such other documents as Buyer shall request from time to time. In addition, the delivery requirements of this Agreement will be satisfied with respect to Purchased Assets, or the corresponding document evidencing the actual underlying obligation of the Underlying Obligor with respect to a Purchased Asset, on a provisional basis if an omnibus assignment is delivered, provided that the original or conforming copies as may be required herein of the missing document(s) shall be delivered to Custodian as soon as practicable, but in no event later than forty-five (45) days of the Purchase Date.

(ii) With respect to any Mortgage Asset File, if Seller cannot deliver, or cause to be delivered, any of the documents and/or instruments required to be delivered to Custodian pursuant to Section 2.01(a) - (b) of this Agreement at the time they are required to be delivered, solely because of a delay caused by the public recording office where such document or instrument has been delivered for recordation, the delivery requirements set forth in the Repurchase Agreement and Section 2 of this Agreement shall be deemed to have been satisfied as to such non-delivered document or instrument if an unrecorded copy of such non-delivered document or instrument (certified by Seller, a title company, an escrow agent or an attorney to be a true and complete copy of the original thereof submitted for recording) is delivered to Custodian on or before the date on which such original is required to be delivered, and either the original of such non-delivered document or instrument, or a photocopy thereof, with evidence of recording thereon, is delivered to Custodian within ninety (90) days after the related Purchase Date.

(iii) Any additional documentation delivered to Custodian pursuant to this Section 2.01(d) shall be preceded or accompanied by a Mortgage Asset File Checklist duly completed by Seller. Within three (3) Business Days after receipt by Custodian of any such additional documentation, Custodian shall deliver to Buyer, with a copy to Seller, an updated Asset Schedule and Exception Report with respect to the related Purchased Assets.

(e) **With respect to each Wet Mortgage Asset:**

(i) Pursuant to Section 3.01(h) of the Repurchase Agreement, with respect to each Wet Mortgage Asset, Seller shall cause Bailee, by not later than 12:00 noon (New York City time) on the related Purchase Date for each such Wet Mortgage Asset, to send to Custodian and Buyer, via Electronic Transmission, a signed PDF copy of the Bailee Agreement.

(ii) No later than five (5) Business Days following the applicable Purchase Date, for any Wet Mortgage Asset, Seller shall deliver, or cause Bailee to deliver, to Custodian the Mortgage Asset File with respect to such Wet Mortgage Asset.

ARTICLE III

ASSET SCHEDULE AND EXCEPTION REPORT; TRUST RECEIPT

Section 3.01 Asset Schedule and Exception Report; Trust Receipt .

(a) On or before the Business Day prior to delivery to Custodian or Bailee, as applicable, of any Mortgage Asset Documents, Seller shall deliver to Custodian, via Electronic Transmission, the related Mortgage Asset File Checklist and Mortgage Asset Schedule. In the case of any Transaction that is not a Wet Funding, Seller shall deliver the Mortgage Asset Documents to Custodian one (1) Business Day prior, for not more than one (1) Mortgage Asset Files; two (2) Business Days prior, for not more than two (2) — five (5) Mortgage Asset Files, three (3) Business Days, for not more than ten (10) Mortgage Asset Files, for more than ten (10) Mortgage Asset Files delivered a time frame as mutually agreed upon all parties, to the Purchase Date. In the case of any Transaction that is a Wet Funding, Seller shall (i) no later than 12:00 noon (New York City time) one (1) Business Day prior, for not more than one (1) Mortgage Asset Files; two (2) Business Days prior, for not more than two (2) — five (5) Mortgage Asset Files, three (3) Business Days, for not more than ten (10) Mortgage Asset Files, for more than ten (10) Mortgage Asset Files delivered a time frame as mutually agreed upon all parties, to the Purchase Date. In the case of any Transaction that is a Wet Funding, Seller shall (i) no later than 12:00 noon (New York City time) on the Purchase Date, deliver or cause Bailee to deliver to Custodian and Buyer by Electronic Transmission, PDF copies of the Mortgage Asset Documents and (ii) deliver or cause Bailee to deliver the original Mortgage Asset Documents to Custodian no later than 5:00 p.m., New York City time, on the fifth (5 th) Business Days after the Purchase Date in accordance with Section 2.01(e)(ii) above. In the event Custodian has not received all documents required to be delivered pursuant to Section 2.01(e)(ii) with respect to a Wet Mortgage Asset on or before the fifth (5 th) Business Day after the Purchase Date, Custodian shall immediately notify Buyer and Seller by Electronic Transmission.

(b) Custodian shall deliver to Buyer, no later than 2:00 p.m. New York City time, on each Purchase Date, with a copy to Seller, a Trust Receipt in respect of all Purchased Assets (including Wet Mortgage Assets) sold to Buyer on such Purchase Date and any prior Purchase Date and held by Custodian hereunder, and shall deliver to Buyer (i) no later than 2:00 p.m. New York City time, on each Purchase Date, an Asset Schedule and Exception Report for Purchased Assets which are not Wet Mortgage Assets, and (ii) no later than 1:00 p.m. New York City time, on or before the tenth (10th) Business Day after the Purchase Date, an Asset Schedule and Exception Report for Purchased Assets which are Wet Mortgage Assets. Each Asset Schedule and Exception Report shall supersede and cancel the Asset Schedule and Exception Report previously delivered by Custodian to Buyer hereunder, and shall replace the then existing Asset Schedule and Exception Report and detailed listing of Wet Mortgage Assets to be attached to the Trust Receipt.

(c) The delivery of each Asset Schedule and Exception Report to Buyer shall be Custodian's representation that, other than the Exceptions listed as part of the Exception Report: (i) all documents required to be delivered in respect of each Purchased Asset pursuant to Article II of this Agreement have been delivered and are in the possession of Custodian as part of the Mortgage Asset File for such Purchased Asset, (ii) Custodian is holding each Purchased

Asset identified on the Asset Schedule and Exception Report, pursuant to this Agreement, as the bailee of and custodian for Buyer and/or its designees and (iii) all such documents have been reviewed by Custodian and (A) appear on their face to be regular (handwritten additions, changes or corrections shall not constitute irregularities if initialed by Seller), (B) have been executed, (C) relate to such Purchased Asset and (iv) satisfy the requirements set forth in Section 2.01 of this Agreement and the Review Procedures set forth in Annex 4 attached hereto. In no event shall Custodian list any Purchased Asset on an Asset Schedule and Exception Report if Custodian has not yet reviewed the related Mortgage Asset File.

(d) During the term of this Agreement, Custodian shall forward to Buyer, with a copy to Seller and the respective Servicers and such other parties (not to exceed three) as may be designated in writing by Buyer or Seller, an Asset Detail Report (or an update of any such Asset Detail Report previously requested and delivered hereunder) for each Purchased Asset subject to this Agreement and an updated or amended Asset Schedule and Exception Report (or an update of any such Asset Schedule and Exception Report previously requested and delivered hereunder) setting forth the Exceptions for any individual Purchased Asset, any group of Purchased Assets or for all of the Purchased Assets, as the case may be, for which Custodian holds a Mortgage Asset File pursuant to this Agreement (i) on the 10 th day of each month, or if such day is not a Business Day, the next succeeding Business Day, and (ii) promptly upon written request of Buyer.

(e) Upon Custodian's receipt of written direction of Buyer, Custodian shall promptly submit for recording and/or filing any assignments, instruments of transfer or other documents with respect to the related Purchased Asset. Seller shall be responsible for all reasonable out-of-pocket costs and expenses of Custodian associated with recording and/or filing of any such assignments, instruments of transfer or other documents with respect to the related Purchased Asset.

(f) In connection with a financing arrangement described in Section 4.04 of this Agreement and upon Custodian's receipt of written direction of Buyer and the prior surrender by Buyer of the original Trust Receipt, Custodian shall deliver to Buyer a new Trust Receipt.

Section 3.02 Custodian . Custodian has no duty or obligation to inspect, review or examine any of the documents, instruments, certificates or other papers relating to the Purchased Assets delivered to it to determine that the same are valid, legal, effective, genuine, binding, enforceable, sufficient or appropriate for the represented purpose or that they are other than what they purport to be on their face. Furthermore, Custodian shall not have any responsibility for determining whether the text of any assignment or endorsement is in proper

or recordable form, whether the requisite recording of any document is in accordance with the requirements of any applicable jurisdiction or whether a blanket assignment is permitted in any applicable jurisdiction. Custodian shall hold any letter of credit in a custodial capacity only and shall have no obligation to maintain, extend the term of, enforce or otherwise pursue any rights under such letter of credit. The Exceptions shall be set forth with particularity in the Asset Schedule and Exception Report, especially as regards the nature of the defective or missing document or the lack of evidence of recordation.

Section 3.03 Discrepancies . Notwithstanding anything to the contrary set forth herein, in the event that the Asset Schedule and Exception Report attached to the Trust Receipt is different from the most recently delivered Asset Schedule and Exception Report, then the most recently delivered Asset Schedule and Exception Report shall control and be binding upon the parties hereto.

ARTICLE IV

OBLIGATIONS OF CUSTODIAN

Section 4.01 Custody . Custodian shall maintain continuous custody of all items constituting the Mortgage Asset Files in secure facilities in accordance with customary standards for such custody and shall reflect in its records the interest of Buyer therein. Each Mortgage Note (and Assignment of Mortgage) shall be maintained in fire resistant facilities.

Section 4.02 Obligations . With respect to the documents constituting each Mortgage Asset File held pursuant to this Agreement, Custodian shall (i) act exclusively as the bailee of, and custodian for, Buyer, (ii) hold all documents constituting such Mortgage Asset File received by it for the exclusive use and benefit of Buyer, and (iii) make disposition thereof only in accordance with the terms of this Agreement or with written instructions furnished by Buyer (with a copy to Seller); provided, however, that in the event of a conflict between the terms of this Agreement and the written instructions of Buyer, Buyer's written instructions shall control.

Section 4.03 Levy, Attachment and Other Court Orders . In the event that (i) Seller, Buyer or Custodian shall be served by a third party with any type of levy, attachment, writ or court order with respect to any Mortgage Asset File or any document included within a Mortgage Asset File or (ii) a third party shall institute any court proceeding by which any Mortgage Asset File or a document included within a Mortgage Asset File shall be required to be delivered otherwise than in accordance with the provisions of this Agreement, the party receiving such service shall promptly deliver or cause to be delivered to the other parties to this Agreement copies of all court papers, orders, documents and other materials concerning such proceedings. Custodian shall, to the extent permitted by law, continue to hold and maintain all the Mortgage Asset Files that are the subject of such proceedings pending a final, nonappealable order of a court of competent jurisdiction permitting or directing disposition thereof. Upon final determination of such court, Custodian shall dispose of such Mortgage Asset File or any document included within such Mortgage Asset File as directed by Buyer in a written communication to Custodian (with a copy to Seller) which shall give a direction consistent with such determination. Expenses of Custodian incurred as a result of such proceedings shall be borne by Seller.

Section 4.04 Pledge or Rehypothecation . Each of Seller, Buyer and Custodian acknowledge and agree that Buyer may, subject to the terms and conditions of the Repurchase Agreement, finance one or more of the Purchased Assets that are held by Custodian pursuant to the terms of this Agreement by entering into financing arrangement or arrangements with respect to any such Purchased Assets pursuant to which Buyer shall sell, pledge, enter into a repurchase transaction or grant a security interest in, or otherwise rehypothecate one or more of the Purchased Assets (each, a " Financing Arrangement "); provided , however, that any such

Financing Arrangement shall be expressly subject to Section 18.09 of the Repurchase Agreement. In connection with any Financing Arrangement that so provides, Buyer may cause Custodian to issue Trust Receipts in the name of the financing party. The financing party shall accede to the rights and obligations hereunder of "Buyer" solely with respect to the Purchased Asset identified in such Trust Receipt, and, thereafter, all applicable references to Buyer herein shall be deemed to include its assignee or designee provided , however , that if the Trust Receipt is issued in the name of any person other than Buyer or its affiliates, then such holder and Custodian shall enter into a new custodial arrangement with respect to such Mortgage Asset promptly and in no event later than ninety (90) days following the date on which the Trust Receipt is re-issued; and provided , further , that if the holder and Custodian fail to agree on the terms of such replacement arrangement within such time, Custodian shall have the right to terminate the Agreement with respect to such Mortgage Asset and to release such Mortgage Asset and the related Mortgage Asset File in accordance with the written instructions of Buyer (with a copy to Seller) and such Mortgage Asset shall no longer be subject to this Agreement.

ARTICLE V

RELEASE OF MORTGAGE ASSET FILES

Section 5.01 Release of Documentation . From time to time until Custodian receives written notice from Buyer, which notice shall be given by Buyer only following the occurrence of an Event of Default Custodian is hereby authorized upon receipt of written request of Seller, to release one or more Mortgage Asset Documents relating to the Purchased Assets in the possession of Custodian to Seller or its designee, for the purpose of correcting documentary deficiencies relating thereto against a Request for Release and Receipt executed by Seller in the form of Annex 5-A hereto. The preceding sentence authorizing release to Seller, or its designee, of Custodian's Mortgage Asset Files shall be operative only to the extent that at any time Custodian shall not have released to Seller or its designee pursuant to this Section 5.01 or Section 5.02 , three (3) or more Mortgage Asset Files pertaining to Purchased Assets at the time being held by Custodian on behalf of Buyer. The Seller or its designee shall notify the Buyer of any such release. Seller or its designee shall hold each Mortgage Asset Document delivered to it pursuant to this Section 5.01 as bailee for Buyer. Seller or its designee shall return to Custodian each Mortgage Asset Document previously released from Custodian's Mortgage Asset File within twenty (20) calendar days of receipt thereof, or such additional period of time as Buyer deems necessary or desirable for Seller to accomplish the matters for which such Mortgage Asset Document was released. Seller hereby further covenants to Buyer and Custodian that any such request by Seller for release of a Mortgage Asset Document pursuant to this Section 5.01 shall be solely for the purposes set forth in the Request for Release and that Seller has requested such release in compliance with all terms and conditions of such release set forth herein and in the Repurchase Agreement. Notwithstanding anything to the contrary contained in the foregoing, Mortgage Notes shall be released only for the purpose of (i) ultimate sale or exchange or (ii) presentation, collection, foreclosure of the related Mortgage (solely to the extent permitted under the Repurchase Agreement), renewal or registration of transfer.

Section 5.02 Release of Mortgage Asset File and Documentation . From time to time until Custodian receives written notice from Buyer, which notice shall be given by Buyer

only following the occurrence of an Event of Default and as appropriate for the servicing of any of the Purchased Assets, Custodian shall, upon written receipt from Seller or its designee of a Request for Release of Documents and Receipt in the form of Annex 5-B hereto, release to the Servicer the Mortgage Asset Documents set forth in such request relating to Purchased Assets in the possession of Custodian. The preceding sentence authorizing release to the Servicer of Custodian's Mortgage Asset Files shall be operative only to the extent that at any time Custodian shall not have released to Seller or its designee pursuant to Section 5.01 or this Section 5.02 , three (3) or more Mortgage Asset Files pertaining to Purchased Assets at the time being held by Custodian on behalf of Buyer. Seller shall cause the Servicer to hold each Mortgage Asset Document delivered to it pursuant to this Section 5.02 as bailee for Buyer. Seller shall cause Servicer to return to Custodian each Mortgage Asset Document previously released from Custodian's Mortgage Asset File within twenty (20) calendar days of receipt thereof, or such additional period of time as Buyer deems necessary or desirable for Seller to accomplish the matters for which such Mortgage Asset Document was released. Seller hereby further covenants to Buyer and Custodian that any such request by Seller or its designee for release of a Mortgage Asset Document pursuant to this Section 5.02 shall be solely for the purposes of servicing of any of the Purchased Assets to which such Mortgage Asset Document relates. Notwithstanding anything to the contrary contained in the foregoing, Mortgage Notes shall be released only for the purpose of (i) ultimate sale or exchange or (ii) presentation, collection, foreclosure of the related Mortgage (solely to the extent permitted under the Repurchase Agreement), renewal or registration of transfer.

Section 5.03 Release to Third-Party . (a) From time to time Custodian is hereby authorized, upon receipt of written request of Seller, to release one or more Mortgage Asset Documents in the possession of Custodian to a third-party purchaser of the related Purchased Asset(s) for the purpose of resale thereof against a Request for Release executed by Seller, which must be acknowledged by Buyer in the form of Annex 5-C hereto. Buyer shall have no obligation to acknowledge any such Request for Release until such time as any outstanding Event of Default has been cured to Buyer's satisfaction, as determined in Buyer's sole and absolute discretion. On such Request for Release, Seller shall indicate the Purchased Asset(s) to be sold, the purchase price for such Purchased Asset anticipated to be received, the name and address of the third party purchaser, the preferred method of delivery, and the date of desired delivery. If such Purchased Asset is not sold within twenty (20) calendar days, Seller or its designee shall return to Custodian the Mortgage Asset Document(s) previously released from Custodian's Mortgage Asset File immediately after the expiration of such twenty (20) day period.

(b) Any transmittal of documentation for Purchased Assets in the possession of Custodian in connection with the sale thereof to a third-party purchaser or the shipment to a custodian or trustee in connection with the formation of a mortgage pool supporting a mortgage backed security (an " MBS ") will be under cover of a transmittal letter substantially in the form attached as Annex 5-C hereto, duly completed by Custodian and executed by Custodian. Promptly upon (x) the remittance by Seller to Buyer of the full Repurchase Price of the Purchased Asset or (y) the issuance of such MBS, Buyer shall notify Custodian thereof.

Section 5.04 Other Release . So long as no Event of Default has occurred and is continuing, Custodian and Buyer shall take such steps as they may reasonably be directed from

time to time by Seller in writing, which Seller deems necessary and appropriate, to transfer promptly and deliver to Seller any Mortgage Asset File in the possession of Custodian relating to any Purchased Asset which was previously a Purchased Asset but which Seller, with the written consent of Buyer, has notified Custodian has ceased to be a Purchased Asset or the release of which would not cause Seller to violate any provision of Article III of the Repurchase Agreement. In furtherance of the foregoing, upon receipt of a Request For Release and Receipt from Seller in the form of Annex 5-A hereto, which must be acknowledged by Buyer, Custodian shall release to Seller the requested Mortgage Asset Files.

Section 5.05 Notification by Buyer . Following notification by Buyer (which may be by facsimile) to Custodian (and receipt of such notification by Custodian) that an Event of Default has occurred and is continuing, Custodian shall not release, or incur any liability to Seller or any other Person for refusing to release, any item relating to a Purchased Asset to Seller or any other Person without the express prior written consent and at the direction of Buyer.

Section 5.06 Tracking . Custodian shall track the period of time that has elapsed for any release of Purchased Assets under Sections 5.01 , 5.02 , 5.03 and 5.04 of this Agreement and shall report such information to Buyer in the same manner and at the same time as Custodian provides an Asset Schedule and Exception Report.

Section 5.07 Method of Shipment . Prior to any shipment of Mortgage Asset Files hereunder, Seller shall deliver to Custodian written instructions as to the method of shipment and shippers(s) Custodian is to utilize in connection with the transmission of Mortgage Asset Files in the performance of Custodian's duties hereunder. Seller shall arrange for the provision of such services at its sole cost and expense (or, at Custodian's option, reimburse Custodian for all costs and expenses incurred by Custodian consistent with the instructions) and will maintain such insurance against loss or damage to Mortgage Asset Files or other loan documents as Buyer deems appropriate. Without limiting the generality of the provisions of Section 11.02 , it is expressly agreed that Custodian shall have no liability for any losses or damages to Seller arising out of actions of Custodian consistent with the instructions of Seller. In the event Custodian does not receive such written instructions, Custodian shall be authorized to utilize any nationally recognized courier service.

ARTICLE VI

FEES AND EXPENSES OF CUSTODIAN

Section 6.01 Fees . Custodian shall charge such fees for its services under this Agreement as are set forth in a separate agreement between Custodian and Existing Seller, the payment of which fees, together with Custodian's expenses in connection herewith, shall be solely the obligation of Existing Seller. The failure of Existing Seller to pay any such fees shall not excuse the performance by Custodian of any of its obligations thereunder. The obligations of Existing Seller to pay Custodian for such expenses in connection with services provided by Custodian prior to the termination of this Agreement and the earlier of the resignation or removal of Custodian shall survive such termination, resignation or removal.

ARTICLE VII

REMOVAL OR RESIGNATION OF CUSTODIAN

Section 7.01 Resignation . Custodian may at any time resign and terminate its obligations under this Agreement upon at least thirty (30) days' prior written notice to Seller and Buyer and the appointment of a successor custodian. Promptly after receipt of notice of Custodian's resignation, Buyer shall appoint, by written instrument, a successor custodian. The appointment of a successor custodian shall not be effective until such successor custodian executes a custodial agreement substantially similar to this Agreement. One original counterpart of such instrument of appointment shall be delivered to Seller, Custodian and the successor custodian. In the event that no successor custodian shall have been appointed within sixty (60) days after Custodian's notice of resignation, then Custodian may petition any court of competent jurisdiction to appoint a successor custodian. All fees, costs, and expenses (including attorneys' fees and expenses) incurred by Custodian in connection with any such petition shall be paid (or otherwise reimbursed to Custodian) by Seller.

Section 7.02 Removal and Discharge . Buyer, upon at least thirty (30) days' prior written notice to Custodian and Seller, may remove and discharge Custodian (or any successor custodian thereafter appointed) from the performance of its obligations under this Agreement. Promptly after the giving of notice of removal of Custodian, Buyer shall appoint, by written instrument, a successor custodian. One original counterpart of such instrument of appointment shall be delivered to Seller, Buyer, Custodian and the successor custodian. In the event that no successor custodian shall have been appointed within such thirty (30) day notice period, Custodian may petition any court of competent jurisdiction to appoint a successor custodian. All fees, costs, and expenses (including attorneys' fees and expenses) incurred by Custodian in connection with any such petition shall be paid (or otherwise reimbursed to Custodian) by Seller. The appointment of a successor custodian shall not be effective until such successor custodian executes a custodial agreement substantially similar to this Agreement.

Section 7.03 Successor . In the event of any such resignation or removal, Custodian shall promptly transfer to the successor custodian, as directed in writing, all of the Mortgage Asset Files being administered under this Agreement and, if the endorsements on the Mortgage Notes and assignments of the Mortgages have been completed in the name of Custodian, Custodian shall assign the Mortgages and endorse without recourse the Mortgage Notes to the successor custodian, which successor custodian shall provide receipt therefor to Buyer, Seller and Custodian, or as otherwise directed by Buyer. The cost of the shipment of Mortgage Asset Files arising out of the resignation of Custodian shall be at the expense of the resigning Custodian; provided , however , that if Custodian's resignation is due in part or in whole to the non-payment of the fees and expenses due to it hereunder by Seller, then the shipment cost of such shipment of Mortgage Asset Files shall be at the expense of Seller. Any cost of shipment arising out of the removal of Custodian shall be at the expense of Seller. Seller shall be responsible for the fees and expenses of the successor custodian and the fees and expenses for endorsing the Mortgage Notes and assigning the Mortgages to the successor custodian if required pursuant to this paragraph.

ARTICLE VIII

EXAMINATION OF FILES, BOOKS AND RECORDS

Section 8.01 Examination . Upon reasonable prior written notice to Seller and Custodian, and at the expense of the requesting party, Buyer, Seller or their respective agents, accountants, attorneys and auditors will be permitted during Custodian's normal business hours to examine, inspect, and make copies of, the Mortgage Asset Files and any and all documents, records and other instruments or information in the possession of or under the control of Custodian relating to any or all of the Purchased Assets. All reasonable fees, out-of-pocket and other expenses of such inspections shall be paid by the requesting party.

ARTICLE IX

INSURANCE

Section 9.01 Insurance . At its own expense, Custodian shall maintain at all times during the existence of this Agreement and keep in full force and effect a fidelity bond and document hazard insurance. All such insurance shall be in amounts, with standard coverage and subject to standard deductibles, all as is customary for insurance typically maintained by institutions which act as custodian. The minimum coverage under any such bond and insurance policies shall be at least equal to the corresponding amounts typically maintained by institutions that manage similar properties. A certificate of an Authorized Representative of Custodian shall be furnished to Seller and Buyer, upon written request, stating that such insurance is in full force and effect.

ARTICLE X

REPRESENTATIONS AND WARRANTIES

Section 10.01 Custodian Representations and Warranties .

(a) Custodian represents and warrants to, and covenants with, Buyer and Seller, as of date of this Agreement and shall be deemed to restate as of each Purchase Date that:

(i) Custodian is duly organized and validly existing as a national banking association under the laws of the United States of America.

(ii) Custodian's execution and delivery of, performance under and compliance with this Agreement, will not violate Custodian's organizational documents or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in a material breach of, any material agreement or other material instrument to which it is a party or by which it is bound.

(iii) Custodian has the full power and authority to enter into and consummate all transactions contemplated by this Agreement, has duly authorized the execution,

delivery and performance of this Agreement, and has duly executed and delivered this Agreement.

(iv) This Agreement constitutes a valid, legal and binding obligation of Custodian, enforceable against Custodian in accordance with the terms hereof, subject to (A) applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and the rights of creditors of banks, and (B) general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law.

(v) Custodian is not in violation of, and its execution and delivery of, performance under and compliance with this Agreement will not constitute a violation of, any law, any order or decree of any court or arbiter, or any order, regulation or demand of any federal, state or local governmental or regulatory authority, which violation, in Custodian's good faith and reasonable judgment, is likely to affect materially and adversely either the ability of Custodian to perform its obligations under this Agreement or the financial condition of Custodian.

(vi) No consent, approval, authorization or order of any state or federal court or governmental agency or body is required for the consummation by Custodian of the transactions contemplated herein, except for those consents, approvals, authorizations or orders that previously have been obtained.

(vii) No litigation is pending or, to the best of the knowledge of Custodian, threatened against Custodian that, if determined adversely to Custodian, would prohibit Custodian from entering into this Agreement or that, in Custodian's good faith and reasonable judgment, is likely to materially and adversely affect either the ability of Custodian to perform its obligations under this Agreement or the financial condition of Custodian.

(b) The representations and warranties of Custodian set forth in Section 10.01(a) shall survive the execution and delivery of this Agreement and shall inure to the benefit of the Persons for whose benefit they were made for so long as this Agreement is not terminated. Upon discovery by any party hereto of a breach of any such representations and warranties, the party discovering such breach shall give prompt written notice thereof to the other parties hereto.

(c) Any successor to Custodian shall be deemed to have made, as of the date of its succession, each of the representations and warranties set forth in Section 10.01(a), subject to such appropriate modifications to the representation and warranty set forth in Section 10.01(a)(i) to accurately reflect such successor's jurisdiction of organization and whether it is a corporation, partnership, bank, association or other type of organization.

Section 10.02 Seller Representations and Warranties. Seller represents and warrants to Custodian, the same representations and warranties that Seller makes to Buyer under Section 7.01 of the Repurchase Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.01 No Adverse Interest . By execution of this Agreement, Custodian represents and warrants that it currently holds, and during the existence of this Agreement shall hold, no adverse interest, by way of security or otherwise, in any Purchased Asset, and hereby waives and releases any such interest which it may have in any Purchased Asset as of the date hereof. The Purchased Assets shall not be subject to any security interest, lien or right to set-off by Custodian or any third party claiming through Custodian and Custodian shall not pledge, encumber, hypothecate, transfer, dispose of, or otherwise grant any third party interest in, the Purchased Assets.

Section 11.02 Indemnification . (a) Seller agrees to indemnify and hold Custodian and its affiliates, directors, officers, agents and employees harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, of any kind or nature whatsoever, including reasonable attorneys' fees, that may be imposed on, incurred by, or asserted against it in any way relating to or arising out of this Agreement or any action taken or not taken by it hereunder unless such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, cost, expenses or disbursements were imposed on, incurred by or asserted against Custodian because of the breach by Custodian of its obligations hereunder, which breach was caused by negligence, lack of good faith or willful misconduct on the part of Custodian, or any of its respective directors, officers, agents or employees. Custodian agrees that it will promptly notify Seller of any such claim, action or suit asserted or commenced against it and that Seller may assume the defense thereof with counsel reasonably satisfactory to Custodian at Seller's sole expense, that Custodian will cooperate with Seller on such defense, and that Custodian will not settle any such claim, action or suit without the consent of Seller. The foregoing indemnification shall survive any resignation or removal of Custodian or the termination or assignment of this Agreement.

(b) In the event that Custodian fails to produce a Mortgage Note, Mortgage (or assignment thereof) or any other document related to a Purchased Asset that was in its possession pursuant to Article II within one (1) Business Day after required or requested by Seller or Buyer, and provided that (i) Custodian previously delivered to Buyer an Asset Schedule and Exception Report which did not list such document as an Exception on the related Purchase Date; (ii) such document is not outstanding pursuant to a Request for Release and Receipt or a Request for Release of Documents and Receipt in the form annexed hereto as Annex 5-A or Annex 5-B , respectively and (iii) such document was held by Custodian on behalf of Seller or Buyer, as applicable (a " Custodial Delivery Failure "), then Custodian shall (a) with respect to any missing Mortgage Note, promptly deliver to Buyer or Seller upon request, a Lost Note Affidavit in the form of Annex 9 hereto (a " Lost Note Affidavit ") and (b) with respect to any missing document related to such Purchased Asset, including but not limited to a missing Mortgage Note, (1) indemnify Seller and Buyer, as applicable, in accordance with paragraph (c) below and (2) at Buyer's option, at any time the long-term obligations of Custodian are rated below the second highest rating category of Moody's Investors Service, Inc. or Standard and Poor's Ratings Group Services, a division of The McGraw-Hill Companies, Inc., obtain and maintain an insurance bond in the name of Buyer and Seller, and its successors in interest and

assigns, insuring against any losses associated with the loss of such document, in an amount equal to the then outstanding principal balance of the related Purchased Asset or such lesser amount requested by Buyer in Buyer's sole discretion.

(c) Custodian agrees to indemnify and hold Buyer and Seller, and their respective affiliates, directors, officers, employees, agents and representatives harmless against any and all liabilities, obligations, losses, damages (other than special, indirect, consequential, or punitive damages, except to the extent Seller is required to pay or indemnify a third party for such damages), penalties, actions, judgments, suits, and costs, expenses or disbursements, including reasonable attorneys' fees, that directly result from a Custodial Delivery Failure or Custodian's breach of this Agreement, gross negligence, lack of good faith or willful misconduct. The foregoing indemnification shall survive the resignation or removal of Custodian and any termination or assignment of this Agreement.

Section 11.03 Reliance of Custodian . Custodian shall have no duties or obligations other than those specifically set forth herein or as may subsequently be agreed to in writing by the parties hereto. The Custodian:

(a) may conclusively rely, in the absence of bad faith on the part of Custodian, as to the truth of the statements and the correctness of the opinions expressed therein, upon any request, instruction, certificate, opinion or other document furnished to Custodian, reasonably believed by Custodian to be genuine and to have been signed or presented by the proper party or parties and conforming to the requirements of this Agreement; provided , however , that in the case of any Mortgage Asset Document or other request, instruction, document or certificate which by any provision hereof is specifically required to be furnished to Custodian, Custodian shall be under a duty to examine the same in accordance with the requirements of this Agreement;

(b) may consult with counsel and any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such opinion of counsel;

(c) shall use the same degree of care and skill as is reasonably expected of financial institutions acting in comparable capacities, provided that this subsection shall not be interpreted to impose upon Custodian a higher standard of care than that set forth herein;

(d) will be regarded as making no representations and having no responsibilities (except as expressly set forth herein) as to the validity, perfectibility, sufficiency, value, genuineness, ownership or transferability of the Purchased Assets, and will not be required to and will not make any representations as to the validity, value, perfectibility, genuineness, ownership or transferability of the Purchased Assets;

(e) shall have no responsibility or duty with respect to any Mortgage Asset File while not in its possession (other than its tracking responsibilities pursuant to Section 5.06 hereof);

(f) shall be under no obligation to make any investigation into the facts or matters stated in any resolution, exhibit, request, representation, opinion, certificate, statement, acknowledgement, consent, order or document in the Mortgage Asset File;

(g) shall not be liable with respect to any action taken or omitted to be taken in accordance with the written direction, instruction, acknowledgement, consent or any other communication from the Buyer;

(h) shall not be responsible for preparing or filing any reports or returns relating to federal, state or local income taxes with respect to this Agreement, other than for Custodian's compensation or for reimbursement of expenses;

(i) shall have no duty to qualify to do business in any jurisdiction, other than (i) any jurisdiction where any Mortgage Asset File is or may be held by Custodian from time to time hereunder, and (ii) any jurisdiction where its ownership of property or conduct of business requires such qualification and where failure to qualify could have a material adverse effect on Custodian or its property or business or on the ability of Custodian to perform it duties hereunder; and

(j) will not have any liability for failure to perform or delay in performing duties set forth herein if the failure or delay is due to an event of *force majeure* . A *force majeure* is an event or condition beyond Custodian's control, such as, without limitation, a natural disaster, civil unrest, state of war, or act of terrorism, provided , however , Custodian will make reasonable efforts to prevent performance delays or disruptions in the event of such occurrences.

The provisions of this Section 11.03 shall survive the resignation or removal of the Custodian and the termination or transfer of this Agreement.

Section 11.04 Term of Agreement . Promptly after Custodian's receipt of written notice from Buyer of the termination of the Repurchase Agreement and payment in full of all amounts owing to Buyer thereunder, Custodian shall deliver all documents remaining in the Mortgage Asset Files to Seller, and, except as otherwise set forth herein, this Agreement shall thereupon terminate and Buyer shall simultaneously surrender all outstanding Trust Receipts held by Buyer to Custodian.

Section 11.05 Notices . All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when received by the recipient party at the address shown on its signature page hereto, or at such other addresses as may hereafter be furnished to each of the other parties by like notice. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee. Each party hereto hereby represents and warrants that its office is located at the respective address set forth on its signature page hereto, and each such party shall notify each other party hereto if such

address should change.

Section 11.06 Governing Law . **THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND**

DUTIES OF THE PARTIES WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

Section 11.07 Authorized Representatives . Each individual designated as an authorized representative of any of Seller, Buyer, Custodian or their respective successors or permitted assigns (an " Authorized Representative "), is authorized to give and receive notices, requests and instructions and to deliver certificates and documents in connection with this Agreement on behalf of Seller, Buyer, or Custodian, as the case may be, and the specimen signature for each such Authorized Representative, initially authorized hereunder, is set forth on Annexes 6, 7 and 8 hereof, respectively. From time to time any of Seller, Buyer, Custodian or their respective successors or permitted assigns may, by delivering to the others a revised annex, change the information previously given pursuant to this Section 11.07 , but each of the parties hereto shall be entitled to rely conclusively on the then current annex until receipt of a superseding annex.

Section 11.08 Amendment . This Agreement may be amended from time to time by written agreement signed by each of Seller, Buyer and Custodian.

Section 11.09 Cumulative Rights . The rights, powers and remedies of Custodian and Buyer under this Agreement shall be in addition to all rights, powers and remedies given to Custodian and Buyer by virtue of any statute or rule of law, the Repurchase Agreement or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Buyer's interest in the Purchased Assets.

Section 11.10 Assignment; Binding Upon Successors . This Agreement may not be assigned in whole or in part by Seller or Custodian without the prior written consent of Buyer. This Agreement may be assigned by Buyer in whole or in part without the prior written consent of any other party hereto. Buyer shall provide Custodian with notice of any such assignment together with written acknowledgment that the assignee is assuming all of the obligations of Buyer under this Agreement to the extent applicable. All rights of Custodian, Buyer and Seller under this Agreement shall inure to the benefit of Custodian, Buyer and Seller and their respective successors and permitted assigns, and all obligations of Custodian, Buyer and Seller under this Agreement shall bind their respective successors and assigns. Any entity into which Custodian may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which Custodian shall be a party, or any entity succeeding to the business of Custodian shall be the successor of Custodian hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 11.11 Entire Agreement; Severability . This Agreement contains the entire agreement with respect to the rights and obligations of Custodian relating to the Purchased Assets among Custodian, Buyer and Seller. If any of the provisions of this Agreement shall be held invalid or unenforceable, this Agreement shall be construed as if not containing such

provisions, and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

Section 11.12 Execution in Counterparts . This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

Section 11.13 Tax Reports . Custodian shall not be responsible for the preparation or filing of any reports or returns relating to federal, state or local income taxes with respect to this Agreement, other than in respect of Custodian's compensation or for reimbursement of expenses.

Section 11.14 Assignment by Buyer . Buyer hereby notifies Custodian that Buyer may, subject to the terms and provisions of the Repurchase Agreement, assign, as of the applicable Purchase Date, some or all of its right, title and interest in and to the Purchased Assets to an Eligible Assignee, provided , that no such transaction shall affect the obligations of Buyer to transfer the Purchased Assets to Seller on the applicable Repurchase Dates free and clear of any pledge, Lien, security interest, encumbrance, charge or other adverse claim.

Section 11.15 SUBMISSION TO JURISDICTION; WAIVERS . EACH OF SELLER, BUYER AND CUSTODIAN HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) **SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER REPURCHASE DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;**

(b) **CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;**

(c) **AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH EACH OTHER PARTY HERETO SHALL HAVE BEEN NOTIFIED;**

(d) **AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER**

PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) **WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER REPURCHASE DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.**

Section 11.16 Confidentiality . Custodian hereby acknowledges and agrees that (i) all written or computer-readable information provided by Buyer or Seller regarding Buyer or Seller and (ii) the terms of this Agreement and the Repurchase Agreement (the " Confidential Information "), shall be kept confidential and shall not be divulged to any Person other than the parties hereto without Buyer's and Seller's prior written consent except to the extent that (i) Custodian reasonably deems necessary to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies or regulatory bodies or in order to comply with any applicable federal or state laws, (ii) any portion of the Confidential Information is in the public domain other than due to a breach of this covenant or (iii) to the extent that Custodian is required to disclose Confidential Information pursuant to the requirements of any legal proceeding or legal authority, Custodian shall (unless prohibited by such legal proceeding or legal authority) notify Buyer and Seller within one (1) Business Day of its knowledge of such legally required disclosure so that Buyer or Seller may seek an appropriate protective order and/or waive Custodian's compliance with this Agreement. Notice shall be both by telephone and in writing. In the absence of a protective order or waiver, Custodian may disclose the relevant Confidential Information if, in the opinion of its counsel, failure to disclose such Confidential Information would subject Custodian to liability for contempt, censure or other legal penalty or liability.

Section 11.17 Effect of Amendment and Restatement . From and after the date hereof, the Original Custodial Agreement shall be amended, restated and superseded in its entirety by this Agreement.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, this Agreement was duly executed by the parties hereto as of the day and year first above written.

EXISTING SELLER

ACRC LENDER W LLC

By /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

Address for Notices :

ACRC Lender W LLC
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, Illinois 60606
Attention: Sharon L. Ephraim

With a copy to :

Ares Commercial Real Estate Corporation
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, Illinois 60606
Attention: Legal Department

NEW SELLER

ACRC LENDER W TRS LLC

By /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

Address for Notices :

ACRC Lender W TRS LLC
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, Illinois 60606
Attention: Sharon L. Ephraim

With a copy to :

Ares Commercial Real Estate Corporation
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, Illinois 60606
Attention: Legal Department

WELLS FARGO BANK, NATIONAL ASSOCIATION , as
Custodian

By /s/ J.P. Pendergrass
Name: J.P. Pendergrass
Title: Assistant Vice President

Address for Notices :

1055 10th Avenue SE
Minneapolis Minnesota 55414
Attention: Kathleen A. Marshall

WELLS FARGO BANK, NATIONAL ASSOCIATION , as Buyer

By /s/ John Nelson
Name: John Nelson
Title: Managing Director

Address for Notices :

One Wells Fargo Center
301 South College Street
MAC D1053-053, 12th Floor
Charlotte, North Carolina 28202
Attention: John Nelson

Custodial Agreement

Annex 1

MORTGAGE ASSET FILE CHECKLIST

[Date]

Seller:
Proposed Purchase Date:
Description of Purchased Asset:
Class (circle one): Whole Loan, Senior Interest or Mezzanine Loan

Check one: Initial shipment ☐ Trailing documents ☐ Final shipment ☐

	DOCUMENT NAME(1)	REQ'D(2)	DEL'D(3)	STATUS(4)	COMMENTS(5)
1.	Tangible Evidence of Purchased Asset (Promissory Note, Certificate, etc.)				
2.	Allonge(s)/Endorsements Endorsed to: (List complete chain)				
3.	Letters of Credit Issuing Bank LOC Amount				
4.	Mortgage(s)/Deed(s) of Trust				
5.	Interim Assignment of Mortgage/Deed of Trust Assignee (if any):				
6.	Assignment of Mortgage/Deed of Trust Assignee: Seller				
7.	Assignment of Mortgage/Deed of Trust Assignee: Blank				
8.	Consolidation Agreement List all underlying notes				
9.	Assignment(s) of Leases and Rents				
10.	Interim Assignment of Assignment of Leases and Rents Assignee (if any):				

---

(1) Documents listed may be modified for applicable Class of Mortgage Asset.

(2) Seller to indicate whether the document is required to be delivered.

(3) Seller to indicate whether the document is being delivered (applies to this delivery only — do not mark if documents were previously delivered).

(4) Seller to indicate whether the document is an original, certified copy or copy. For recordable documents, indicate if document is recorded, sent for recordation, not sent for recordation.

(5) Seller or Custodian may indicate any relevant comments.

	DOCUMENT NAME(1)	REQ'D(2)	DEL'D(3)	STATUS(4)	COMMENTS(5)
11.	Assignment of Assignment of Leases and Rents Assignee: Seller				
12.	Assignment of Assignment of Leases and Rents Assignee: Blank				
13.	Security Agreement				
14.	Interim Assignment of Security Agreement Assignee (if any):				
15.	Assignment of Security Agreement Assignee: Seller				
16.	Assignment of Security Agreement Assignee: Blank				
17.	Survey (with Surveyor's Certificate thereon)				
18.	Ground Lease				
19.	Ground Lease Estoppel				
20.	Memorandum of Lease				
21.	Title Policy				
22.	Copies of all recorded documents affecting the Underlying Mortgaged Property				
23.	Escrow Letter				
24.	Insured Closing Letter				
25.	Stock Certificates				
26.	Stock Powers				
27.	UCC Financing Statement (Personal Property) - State:				
28.	Interim UCC-3 Assignment/UCC Financing Statement Amendment (Personal Property) State: Assignee:				
29.	Interim UCC-3 Assignment/UCC Financing Statement Amendment (Personal Property) State: Assignee: Blank				
30.	UCC Financing Statement (Fixtures) - Fixture Filing Jurisdiction:				
31.	UCC-3 Assignment/UCC Financing Statement Amendment (Fixtures) Fixture Filing Jurisdiction: Assignee:				

	DOCUMENT NAME(1)	REQ'D(2)	DEL'D(3)	STATUS(4)	COMMENTS(5)
32.	UCC-3 Assignment/UCC Financing Statement Amendment (Fixtures) Fixture Filing Jurisdiction: Assignee:				
33.	UCC Financing Statement (Other) - Filing Jurisdiction:				
34.	UCC-3 Assignment/UCC Financing Statement Amendment (Other) Filing Jurisdiction: Assignee:				
35.	UCC-3 Assignment/UCC Financing Statement Amendment (Other) Filing Jurisdiction: Assignee: Blank				
36.	Loan Agreement				
37.	Reserve Agreement List if multiple Agreements				
38.	Cash Management or Lockbox Agreement				
39.	Guaranty/Indemnity Agreement (applies to all non-recourse events)				
40.	Environmental Indemnity				
41.	Intercreditor Agreement, Co-Lender Agreement or similar agreement				
42.	Interim Omnibus Assignment Assignee (if any):				
43.	Omnibus Assignment Assignee: Seller				
44.	Omnibus Assignment Assignee: Blank				
45.	Participation Agreement				
46.	Participation Certificate				
47.	Closing Letter				
48.	Mezzanine Endorsement and Date Down to Owner's Policy				
49.	Eagle 9 Policy				

DOCUMENT NAME(1)	REQ'D(2)	DEL'D(3)	STATUS(4)	COMMENTS(5)
50. As needed - List all other documents/collateral(6) being delivered.				

(6) The document descriptions should match the headings listed on the individual documents. The documents should be sent in the order listed on the checklist.

Annex 2

FORM OF TRUST RECEIPT

Wells Fargo Bank, National Association
One Wells Fargo Center
301 South College Street
MAC D1053-053, 12 th Floor
Charlotte, North Carolina 28202

Attn: John Nelson

[ ] [ ], [20]

Re: Amended and Restated Custodial Agreement, dated as of December 20, 2013 (as amended or modified, the " Custodial Agreement "), among Wells Fargo Bank, National Association, as buyer (" Buyer "), ACRC Lender W LLC, ACRC Lender W TRS LLC and Wells Fargo Bank, National Association, as custodian (" Custodian ").

Check one: Dry Mortgage Asset ☐ Wet Mortgage Asset ☐

Ladies and Gentlemen:

In accordance with the provisions of Section 3.01 of the above-referenced Custodial Agreement (capitalized terms not otherwise defined herein having the meanings ascribed to them in the Custodial Agreement), the undersigned, as Custodian, hereby certifies with respect to each Purchased Asset described in the attached Asset Schedule and Exception Report as to all matters (subject to the Exceptions listed therein) set forth in Section 3.02 of the Custodial Agreement.

The delivery of the attached Asset Schedule and Exception Report evidences that, other than the Exceptions listed as part of the Exception Report (i) all documents required to be delivered in respect of each Purchased Asset pursuant to Section 2.01 of the Custodial Agreement have been delivered and are in the possession of Custodian as part of the Mortgage Asset File for such Purchased Asset, (ii) Custodian is holding each Purchased Asset identified on the Asset Schedule and Exception Report, pursuant to the Custodial Agreement, as the bailee of and custodian for Buyer and/or its designees and (iii) all such documents have been reviewed by Custodian and (A) appear on their face to be regular, (B) appear to have been executed, (C) purport to relate to such Purchased Asset and (D) satisfy the requirements set forth in Section 2.01 of the Custodial Agreement and the Review Procedures set forth in Annex 4 to the Custodial Agreement.

Custodian makes no representations as to, and shall not be responsible to verify, (i) the validity, legality, enforceability, due authorization, recordability, sufficiency, or genuineness of any of the documents contained in each Mortgage Asset File or (ii) the collectability, insurability, effectiveness or suitability of any such Purchased Asset.

Each Asset Schedule and Exception Report covering all Purchased Assets sold to Buyer, delivered to Buyer by Custodian shall supersede and cancel the previously delivered Asset Schedule and Exception Report attached to the Trust Receipt, and shall control and be binding upon the parties hereto. The holder of this Trust Receipt is advised to contact Custodian to determine whether the attached Asset Schedule and Exception Report is the most recently delivered.

THIS TRUST RECEIPT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " ACT "). ANY RESALE OR TRANSFER OF THIS TRUST RECEIPT OR ANY INTEREST HEREIN WITHOUT REGISTRATION HEREOF UNDER THE ACT MAY ONLY BE MADE IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
solely in its capacity as Custodian

By: _____
Name:
Title:

[Reserved]

REVIEW PROCEDURES

This Annex sets forth Custodian's review procedures for each item listed below delivered by Seller pursuant to the Custodial Agreement (the " Agreement ") to which this Annex is attached. Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Agreement.

1. the Mortgage Note, Senior Interest Note, Mezzanine Note and/or the Mortgage each appear to bear an original signature or signatures purporting to be the signature or signatures of the Person or Persons named as the maker and Mortgagor, or in the case of copies of the Mortgage permitted under Section 2.01(a)(ii) of the Agreement, that such copies bear a reproduction of such signature;

2. amount of the Mortgage Note, Mezzanine Note or Senior Interest Note is the same as the amount specified on the related Mortgage, Participation Agreement and/or the related Mortgage Asset Schedule;

3. the mortgagee is the same as the payee on the Mortgage Note;

4. the Mortgage contains a legal description other than address, city and state on the first page and has evidence of recording thereon;

5. the notary section (acknowledgment) is present and attached to the related Mortgage and is signed;

6. neither the original Mortgage Note, Mezzanine Note or Senior Interest Note, nor the copy of the Mortgage delivered pursuant to the Agreement, nor the original Assignment of Mortgage contain any notations on their face which appear in the good faith judgment of Custodian to evidence any claims, liens, security interests, encumbrances or restrictions on transfer;

7. the Mortgage Note, Mezzanine Note or Senior Interest Note, is endorsed in blank by the named holder or payee thereof;

8. each original Assignment of Mortgage and any intervening assignment of mortgage, if applicable, appears to bear the original signature of the named mortgagee or beneficiary including any subsequent assignors (and any other necessary party), as applicable, or in the case of copies permitted under Section 2.01(a)(v) of the Agreement, that such copies appear to bear a reproduction of such signature of signatures, and the intervening assignments of mortgage evidence a complete chain of assignment and transfer of the related Mortgage from the originating Person to Seller;

9. the date of each intervening assignment is on or after the date of the related Mortgage and/or the immediately preceding assignment, as the case may be; and

10. the notary section (acknowledgment) is present and attached to each intervening assignment and is signed.

REQUEST FOR RELEASE AND RECEIPT

Dated: [ ] [ ], [20]

The undersigned, [ACRC Lender W LLC] [ACRC Lender W TRS LLC] (" Seller "), acknowledges receipt from Wells Fargo Bank, National Association, acting as agent, bailee and custodian (in such capacity, " Custodian ") for the exclusive benefit of Wells Fargo Bank, National Association (" Buyer ") under the Amended and Restated Master Repurchase and Securities Contract (the " Repurchase Agreement "), dated as of December 20, 2013, among ACRC Lender W LLC, ACRC Lender W TRS LLC and Buyer, of the following described documentation for the identified Purchased Asset (the " Documentation "), possession of which is entrusted to Seller solely for the purpose of correcting the following documentary defects relating thereto:

Purchased Asset:

Current Principal Balance:

Documentation:

Defect:

It is hereby acknowledged that a security interest pursuant to the Uniform Commercial Code in the Documentation herein above described and in the proceeds of said Documentation has been granted to Buyer pursuant to the Repurchase Agreement.

In consideration of the aforesaid delivery by Custodian, Seller hereby agrees to hold said Purchased Assets in trust for Buyer as provided under and in accordance with all provisions of the Repurchase Agreement and to return said Documentation no later than the close of business on the tenth day following the date hereof, or if such day is not a Business Day, on the immediately preceding Business Day, [ ]; [ ], Attention: [ ].

[ACRC LENDER W LLC, a Delaware limited liability company, as Seller]

[ACRC LENDER W TRS LLC, a Delaware limited liability company, as Seller]

By: _____
Name:
Title:

Acknowledged and Agreed:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Buyer

By: _____
Name:
Title:

Documents returned to Custodian:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

Date: _____

FORM OF REQUEST FOR RELEASE OF DOCUMENTS AND RECEIPT

To: Custodian
[ ]
[ ]

Re: Amended and Restated Custodial Agreement, dated as of December 20, 2013 (the " Custodial Agreement "), among Wells Fargo Bank, National Association (" Buyer "), ACRC Lender W, LLC [(" Seller ")], ACRC Lender W TRS LLC [(" Seller ")] and Wells Fargo Bank, National Association, (" Custodian ").

In connection with the administration of the Purchased Assets held by you as Custodian on behalf of Buyer, the undersigned request the release, to be delivered to as servicer (the " Servicer "), of the (Mortgage Asset File/[specify documents]) for the Purchased Asset described below, for the reason indicated.

Mortgagor's Name, Address & Zip Code:

Ship Files To:

Name:

Address:

Telephone Number:

Purchased Asset Description:

Reason for Requesting Documents (check one)

☐ 1. Purchased Asset Paid in Full. (Seller hereby certifies that all amounts received in connection therewith which are required to be remitted to Buyer have been credited to Buyer.)

☐ 2. Purchased Asset Liquidated By . (Seller hereby certifies that all proceeds of insurance, condemnation or other liquidation have been finally received and credited to Buyer.)

☐ 3. Other (explain) .

If box 1 or 2 above is checked, and if all or part of the Mortgage Asset File was previously released to us, please release to us our previous request and receipt on file with you, as well as any additional documents in your possession relating to the specified Purchased Asset.

If box 3 above is checked, upon our return of all of the above documents to you as Custodian, please acknowledge your receipt by signing in the space indicated below, and returning this form.

It is hereby acknowledged that a security interest pursuant to the Uniform Commercial Code in the Purchased Assets described above and in the proceeds of said Purchased Assets has been granted to Buyer pursuant to the Repurchase Agreement.

In consideration of the aforesaid delivery by Custodian, the Servicer hereby agrees to hold said Purchased Assets in trust for Buyer as provided under and in accordance with all provisions of the Custodial Agreement and to return said Purchased Assets to Custodian no later than the close of business on the tenth day following the date hereof or, if such day is not a Business Day, on the immediately preceding Business Day.

The Servicer hereby acknowledges that it shall hold said Purchased Assets in trust for, and as bailee of, Buyer and shall return said Purchased Assets only to Custodian.

[ACRC LENDER W LLC, a Delaware limited liability company, as Seller]

[ACRC LENDER W TRS LLC, a Delaware limited liability company, as Seller]

By: _____
Name:
Title:
Date:

Acknowledged and Agreed:

[SERVICER]

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Buyer

By: _____
Name:
Title:

Acknowledgment of Documents returned to Custodian:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Custodian

By: _____
Name:
Title:
Date:

Annex 5-C

Request for Release

Dated: [ ] [ ], [20]

The undersigned, [ACRC Lender W LLC] [ACRC Lender W TRS LLC] (" Seller "), requests release from Wells Fargo Bank, National Association, acting as agent, bailee and custodian (in such capacity, " Custodian ") for the exclusive benefit of Buyer (as that term and other capitalized terms not otherwise defined herein are defined in that certain Amended and Restated Master Repurchase and Securities Contract (the " Agreement "), dated as of December 20, 2013, among ACRC Lender W LLC and ACRC Lender W TRS LLC, and Wells Fargo Bank, National Association, as Buyer, of the following described documentation for the identified Eligible Assets, possession of which shall be delivered to [ ] (the " Approved Purchaser ") in connection with the sale thereof. The anticipated closing date for such sale is [ ] [ ], [20], and the anticipated purchase proceeds shall equal: $.

Description of Purchased Asset	Note Amount	Asset Document Delivered

Please send the referenced documentation to:

[NAME OF PURCHASER]
[ADDRESS]
[TELEPHONE]
[ATTENTION:]

Please deliver documents to the Approved Purchaser via [ ], accompanied by a transmittal letter in the form of Annex 10 of the agreement relating to this Annex 5-C.

[ACRC LENDER W LLC, a Delaware limited liability company, as Seller]

[ACRC LENDER W TRS LLC, a Delaware limited liability company, as Seller]

By: _____
Name:
Title:

Acknowledged and Agreed:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Buyer

By: _____
Name:
Title:

Annex 9

FORM OF LOST NOTE AFFIDAVIT

I, as [ ] (title) of Wells Fargo Bank, National Association (" Custodian "), am authorized to make this Lost Note Affidavit on behalf of Custodian. In connection with the administration of the Purchased Assets held by Custodian on behalf of Wells Fargo Bank, National Association (" Buyer "), [ ] (hereinafter called " Deponent "), being duly sworn, deposes and says that:

1. Custodian's address is:

2. [CUSTODIAN'S Address]

3. Custodian previously delivered to Buyer an Asset Schedule and Exception Report with respect to the [Mortgage Note/Senior Interest Note/Mezzanine Note] made by [ ] in favor of [ ], dated [ ] [ ], [20], in the principal amount of $[ ] which did not indicate such [Mortgage Note/Senior Interest Note] is missing;

4. Such [Mortgage Note/Senior Interest Note/Mezzanine Note] was sold to Buyer by Seller pursuant to the terms and provisions of an Amended and Restated Master Repurchase Agreement dated and effective as of December 20, 2013;

5. Such [Mortgage Note/Senior Interest Note/Mezzanine Note] is not outstanding pursuant to a Request for Release of Documents;

6. Aforesaid [Mortgage Note/Senior Interest Note/Mezzanine Note] (hereinafter called the " Original ") has been lost;

7. Deponent has made or has caused to be made diligent search for the Original and has been unable to find or recover same;

8. Custodian was Custodian of the Original at the time of loss; and

9. Deponent agrees that, if said Original should ever come into Custodian's possession, custody or power, Custodian will immediately and without consideration surrender the Original to Buyer.

10. Attached hereto is a true and correct copy of (i) the [Mortgage Note/Senior Interest Note/Mezzanine Note], endorsed in blank by the most recent endorsee prior to the applicable Seller, without recourse, to the order of such Seller and further reflecting a complete, unbroken chain of endorsement from the related originator/original participation holder to such Seller, as provided by [ACRC Lender W LLC] [ACRC Lender W TRS LLC] or its designee and (ii) the Mortgage which secures the [Mortgage Note/Senior Interest Note/Mezzanine Note], which Mortgage is recorded at [ ].

11. Deponent hereby agrees that Custodian (a) shall indemnify and hold harmless Buyer, its successors, and assigns, against any cost, loss, liability or damage, including reasonable attorneys' fees, resulting from the unavailability of any Originals, including but not limited to any cost, loss, liability or damage arising from (i) any false statement contained in this Lost Note Affidavit, (ii) any claim of any party that it has already purchased a mortgage loan evidenced by the Originals or any interest in such mortgage loan, (iii) any claim of any borrower with respect to the existence of terms of a Purchased Asset evidenced by the Originals, (iv) the issuance of new instrument in lieu thereof and (v) any claim whether or not based upon or arising from honoring or refusing to honor the Original when presented by anyone (items (i) through (iv) above are hereinafter referred to as the " Losses ") and (b) if required by any rating agency in connection with placing such Originals into a structured and rated transaction, shall obtain a surety bond from an insurer acceptable to the applicable rating agency in an amount acceptable to such rating agency to cover any Losses with respect to such Originals.

12. This Affidavit is intended to be relied on by Buyer, its successors, and assigns and [ ] represents and warrants that it has the authority to perform its obligations under this Affidavit.

EXECUTED THIS day of , 20 , on behalf of Custodian by:

Signature

Typed Name

On this day of , 20 , before me appeared , to me personally know, who being duly sworn did say that she/he is the of , and that said Lost Note Affidavit was signed and sealed on behalf of such corporation and said acknowledged this instrument to be the free act and deed of said corporation.

Notary Public in and for the
State of .
My Commission expires: .

TRANSMITTAL & BAILMENT LETTER
[Custodian Letterhead]

Re: [Insert Description of Purchased Asset]

Ladies and Gentlemen:

Subject to the terms and conditions set forth below, we hereby transmit the documents listed on Exhibit A hereto (the " Purchased Asset Documents ") relating to the above-referenced asset (the " Purchased Asset "). We have released possession of the [Mortgage Note/Senior Interest Note/Mezzanine Note] to you only in reliance on your agreement with the terms and conditions set forth below.

By your acceptance of the Purchased Asset Documents, you acknowledge that (i) Wells Fargo Bank, National Association (" Buyer ") has a perfected first-lien security interest in the Purchased Asset and (ii) you have received possession of the Purchased Asset Documents, in trust, as bailee for and agent of Wells Fargo Bank, National Association (" Custodian ") (which holds the Mortgage Asset Documents as custodian and bailee for the benefit of Wells Fargo Bank, National Association), pursuant to the provision of the Uniform Commercial Code. Until your status as bailee is terminated as set forth below, you agree not to deliver the Purchased Asset Documents to [ACRC Lender W LLC] [ACRC Lender W TRS LLC] or any third party and to act only as agent for Custodian with respect to the Purchased Asset Documents.

Your status and obligations as bailee shall automatically terminate, without further action by any party, upon earliest to occur of (i) payment of the full amount of the purchase price specified in your original purchase commitment plus any servicing released premium specified in such purchase commitment (the " Purchase Price ") for such Purchased Asset to Buyer. (the " Purchase Date ") or (ii) return of the Purchased Asset Documents to Custodian, as set forth below. Buyer agrees that its security interest in the Purchased Asset Documents, and all of Buyer's. right, title, and interest it may have in and to the related Purchased Assets purchased by you, are and shall be fully released effective as of the Purchase Date.

For purposes of the Purchase Date set forth above, the Purchase Price shall be deemed paid in full when Buyer receives a federal wire transfer in the amount of the Purchase Price sent to Buyer in immediately available funds to: [ ]; ABA: [ ]; Account #: [ ]; Account Name: [ ].

You agree only to send payments to Wells Fargo Bank, National Association, as specified above, and not to honor a change in the above wire transfer or mailing instructions unless provided in writing and signed by .

You agree to deliver the Purchased Asset Documents: (a) Upon your receipt of Buyer's written request therefore (provided that such request is received by you prior to your payment of the Purchase Price); or (b) promptly, in the event that you elect not to purchase the

Purchased Asset, or in the event that a Purchased Asset Document is defective and requires correction. In the alternative, you agree to take such other action with respect to the Purchased Asset Documents as may be agreed upon in writing between Buyer and you. Any delivery by you to Custodian shall be made by express mail to the address of Custodian set forth below; provided however , that in no case shall you return such Mortgage Asset File to Custodian later than twenty (20) calendar days after receipt of such Mortgage Asset File.

Any Purchased Asset Documents (or portion thereof) being returned in accordance herewith shall be sent to Custodian by overnight courier to: Wells Fargo Bank, National Association; [Address]: [ ], Attention: [ ], no later than twenty (20) calendar days after the date hereof.

Any questions relating to the Purchased Asset Documents should be referred to at [ ].

By acknowledging receipt of this Bailee Letter you shall be bound by the terms hereof. Purchaser requests that you acknowledge receipt of the Purchased Asset Documents and this Bailee Letter by signing and returning the enclosed copy of this Bailee Letter in the enclosed self-addressed envelope; provided, however, that your failure to do so does not nullify investor's acceptance of the terms of this Bailee Letter.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION
(Custodian)

By: _____
Name:
Title:

Acknowledged and Agreed this day of
, 20

[PURCHASER]

By: _____
Name:
Title:

ANNEX 11

FORM OF BAILEE AGREEMENT

[ACRC Lender W LLC]
[ACRC Lender W TRS LLC]
c/o Ares Management LLC
One North Wacker Drive, 48 th Floor
Chicago, IL 60606

, 20
[Name of Bailee]
[Address]

Re: Amended and Restated Custodial Agreement, dated as of December 20, 2013 (as amended or modified, the " Custodial Agreement "), among Wells Fargo Bank, National Association, as buyer (the " Buyer "), ACRC Lender W LLC [(the " Seller ")], ACRC Lender W TRS LLC [(the " Seller ")] and Wells Fargo Bank, National Association, as custodian (the " Custodian ").

Dear Sir or Madam:

Capitalized terms use but not otherwise defined herein shall have the respective meanings given thereto in the Custodial Agreement. Seller hereby sends to you documents evidencing or otherwise relating to one or more Wet Mortgage Assets as set forth on Schedule A attached hereto (" Documents "), for which you have agreed to act as bailee.

Buyer intends to purchase such Wet Mortgage Asset(s) from Seller, and in connection therewith, Seller will grant a security interest in the Documents referred to below and the Wet Mortgage Asset(s) to which such Documents relate to Buyer. The Custodian is acting as custodian for Buyer in connection with the Documents.

Schedule A attached hereto identifies the specific Documents delivered, and each Wet Mortgage Asset to which they relate. At the end of this bailee agreement there is a space for you to sign and to acknowledge your receipt of such Documents. Upon your receipt of all such Documents, you hereby agree to (i) deliver to Buyer, Seller and the Custodian, a PDF copy, via Electronic Transmission, of this bailee agreement, signed in the acknowledgment space by you, pursuant to which you (a) acknowledge receipt of the Documents listed in Schedule A , and (b) acknowledge that with respect to such listed Documents you are acting as bailee of Buyer in accordance with the terms of this bailee agreement and (ii) deliver PDF scanned and fully executed copies of all such Documents to the Custodian via Electronic Transmission.

Upon receipt by you of fully executed original copies of all of the Documents and your receipt of written or telephonic confirmation from Seller and Buyer (or their respective counsel) that any and all closing conditions (including, in the case of Seller, any and all closing conditions set forth in any separate escrow letter with the borrower or other counterparty with respect to each applicable Wet Mortgage Asset to which this bailee agreement relates, you shall do each of the following in the order specified:

1. Deliver the Documents via overnight mail to the Custodian at the address listed on the signature page hereto.

2. Notify Buyer that all of the foregoing actions have been completed.

All costs and expenses incurred in carrying out these instructions shall be borne by Seller, and you shall not look to any other party for reimbursement of, or liability for, such costs and expenses.

If for any reason on or before 5:00 P.M. (New York City time) on the Purchase Date you have not received confirmation from Seller and Buyer (or their respective counsel) that any and all of the closing conditions have been satisfied, you shall contact Buyer immediately for further instructions. If Seller's origination of any applicable Wet Mortgage Asset is delayed, you will return the related Documents to Seller unless otherwise instructed by Buyer.

By signing this bailee agreement below where indicated, (a) you agree that on and after the date hereof until you are otherwise notified by Buyer or the Custodian, any Documents delivered to you as described above will be held by you as bailee for Buyer, (b) you certify that, as of the date of your receipt of any Documents, you have not received notice of any interest of any other person or entity in such Documents or the related Wet Mortgage Asset(s), (c) you agree that you will deliver the Documents to the Custodian by not later than the fifth (5th) Business Day after the date of this letter and (d) you certify that if you have any security interest in the Documents or the Wet Mortgage Asset to which those Documents relate, you agree to waive any interest you may acquire therein at any time, whether arising pursuant to law or otherwise.

Seller and Buyer hereby irrevocably instruct you that any Documents in your possession are to be held by you as bailee for Buyer, as provided herein until they are delivered to the Custodian at the address noted above together with a copy of this bailee agreement; provided that if Buyer or the Custodian notifies you that Buyer's security interest in any of above-referenced Wet Mortgage Asset has been released or did not attach (the " Release Notice "), from the date of such Release Notice you will hold the Documents relating to such Wet Mortgage Asset (and no others) as bailee for Seller, in which case you will follow Seller's instructions regarding such Documents, and such Documents shall be released to Seller at the address noted above, or its designee (including the Servicer), instead of returning them to the Custodian; and provided further that prior to the date of any Release Notice, notwithstanding anything herein or elsewhere to the contrary, if you receive instructions from Buyer or the Custodian which do not comport with instructions you may have received from Seller or the Servicer, including, without limitation, instructions to deliver the Documents to the Custodian, Buyer or any other person or entity, you shall abide by the instruction of the Custodian or Buyer.

You agree to immediately give telephonic notice (followed by written notice) to the Custodian if you receive notice of any inquiry from any other person or entity of or with respect to any interest in the Documents or the related loan and you agree that you shall immediately notify each such person in writing, with a copy to the Custodian, of the prior interest of Buyer therein.

This bailee agreement supersedes any bailee agreement or other agreement or arrangement that may exist between you and Seller. Notwithstanding any contrary understanding with you, Seller or any other person or entity, or any instruction to you from Seller or any other person or entity, you shall abide by the terms of this letter. No deviation in performance of the terms of any previous bailee agreement between you and any of the undersigned shall alter any of your duties or responsibilities as set forth herein.

Because time is of the essence, please promptly sign and date the enclosed copy of this bailee agreement and return it via overnight delivery service to Buyer and the Custodian at the above address and via telecopier, send a copy of this executed bailee agreement to Seller.

NOTE: BY ACCEPTING THE DOCUMENTS DELIVERED TO YOU WITH THIS BAILEE LETTER RELATED TO THE WET MORTGAGE ASSETS, YOU CONSENT TO BE THE BAILEE FOR BUYER ON THE TERMS DESCRIBED IN THIS BAILEE LETTER. THE CUSTODIAN REQUESTS THAT YOU ACKNOWLEDGE RECEIPT OF THE ENCLOSED DOCUMENTS RELATED TO EACH APPLICABLE WET MORTGAGE ASSET AND THIS BAILEE LETTER BY SIGNING AND RETURNING THE ENCLOSED COPY OF THIS BAILEE LETTER TO THE CUSTODIAN; HOWEVER, YOUR FAILURE TO DO SO DOES NOT NULLIFY SUCH CONSENT.

Very truly yours,

[ACRC LENDER W LLC, a Delaware limited liability company, as Seller]

[ACRC LENDER W TRS LLC, a Delaware limited liability company, as Seller]

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED:

[Bailee]

By: _____
Print Name:
Date:

cc:

Custodian : Wells Fargo Bank, National Association
1055 10th Avenue SE
Minneapolis, Minnesota 55414
Attention: Kathleen A. Marshall
Telecopier No.: (612) 466-5416
Email: kathleen.a.marshall@wellsfargo.com

Buyer : Wells Fargo Bank, National Association
One Wells Fargo Center
301 South College Street
MAC D1053-053, 12th Floor
Charlotte, North Carolina 28202
Attn: John Nelson
Telecopier No.: (877) 711-6173
Email: john.r.nelson1@wellsfargo.com

Schedule A to Bailee Agreement

[List to include all documents described in Mortgage Asset File set forth in Section 2.01(a) - (d) of the Custodial Agreement.]

Exhibit 10.13

Execution Copy

AMENDED AND RESTATED CONTROLLED ACCOUNT AGREEMENT (WATERFALL ACCOUNT)

AMENDED AND RESTATED CONTROLLED ACCOUNT AGREEMENT (WATERFALL ACCOUNT) (this " Agreement ") is entered into as of December 20, 2013 by and among ACRC Lender W LLC (" Existing Seller ") and ACRC Lender W TRS LLC (" New Seller " and together with Existing Seller, collectively, " Debtor "), Wells Fargo Bank, National Association, as secured party (in such capacity, " Secured Party "), and Wells Fargo Bank, National Association, a national banking association, as depository bank (" Bank ") with respect to the following:

A. Pursuant to that certain Amended and Restated Master Repurchase Agreement, dated as of December 20, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the " Repurchase Agreement "), by and between Debtor, as Seller, and Secured Party, as Buyer, Debtor has granted, in favor of Secured Party, a security interest in deposit account number 4124021965 (the " Waterfall Account ") and in the monies from time to time on deposit in the Waterfall Account.

B. Each Debtor, Secured Party and Bank are entering into this Agreement to amend and restate that certain Controlled Account Agreement (Waterfall Account), entered into as of December 14, 2011, by and among Existing Seller, Secured Party and Bank (the " Original Agreement "), to join New Seller as Debtor under this Agreement and to evidence and perfect Secured Party's security interest in the Waterfall Account and to provide for the disposition of all amounts deposited or at any time credited to the Waterfall Account.

Accordingly, Debtor, Secured Party and Bank agree as follows :

1. (a) Bank shall establish, and thereafter maintain, the Waterfall Account in the name of Debtor (with such additional descriptive detail as Debtor shall designate to Bank), subject to the security interest (subject to any Permitted Liens) granted by Debtor to Secured Party pursuant to Section 11.01 of the Repurchase Agreement. Bank is hereby authorized to follow its usual operating procedures with respect to the administration of the Waterfall Account and the handling of any amounts and negotiable instruments at any time credited thereto, except as such usual operating procedures are modified by this Agreement.

(b) Notwithstanding anything to the contrary in any agreement between Debtor and Bank pertaining to the Waterfall Account, Bank will comply with all instructions originated by Secured Party concerning the disposition of funds in the Waterfall Account (including, without limitation, instructions concerning the disposition of all amounts and negotiable instruments at any time credited thereto) or from time to time on deposit therein without further consent of Debtor or any other Person.

(c) Debtor represents and warrants to Secured Party and Bank that it has not assigned or granted a security interest in the Waterfall Account or any amounts credited thereto, except to Secured Party.

(d) Bank has not entered into, and until the termination of this Agreement will not enter into, any agreement with any other person relating to the Waterfall Account or the amounts credited to the Waterfall Account or funds held in the Waterfall Account pursuant to which it has agreed, or will agree, to comply with orders or instructions of such other person.

2. Bank agrees that (a) it shall not withdraw or otherwise apply any amounts from the Waterfall Account at any time, except as specifically authorized in writing by Secured Party and (b) that all withdrawals or disbursements from the Waterfall Account shall be made in accordance with the terms of Section 1(b) of this Agreement and Article 5 of the Repurchase Agreement. All Income received by Debtor, Secured Party or Bank in respect of the Purchased Assets, shall be deposited directly into the Waterfall Account and shall be applied to and remitted by Bank in accordance with Article 5 of the Repurchase Agreement.

3. Bank agrees it shall not offset, charge, deduct or otherwise withdraw funds from the Waterfall Account, except as permitted by Section 4 below, until it has been advised in writing by Secured Party that all of Debtor's obligations that are secured by the Waterfall Account and amounts credited thereto are paid in full. In the event that Bank has or hereafter obtains by agreement, operation of law or otherwise a security interest in the Waterfall Account or amounts credited to the Waterfall Account or funds held in the Waterfall Account, Bank hereby agrees that such security interest shall be subordinate to the security interest of Secured Party. Secured Party shall notify Bank promptly in writing upon payment in full of Debtor's obligations.

4. Bank is permitted to charge the Waterfall Account:

(a) for its fees and charges relating to the Waterfall Account and or associated with this Agreement; and

(b) in the event that any negotiable instrument deposited into the Waterfall Account is returned unpaid for any reason.

5. If the balance in the Waterfall Account is not sufficient to compensate Bank for any fees or charges due Bank in connection with this Agreement or to pay Bank for any returned negotiable instrument, Debtor agrees to pay Bank upon written demand therefore, the amount due to Bank. Debtor will have breached this Agreement if it has not paid Bank, within three Business Days after the date of such demand, the amount due Bank.

(a) Bank agrees that it shall not offset against the Waterfall Account until it has been advised in writing by Secured Party that all obligations that are secured by any negotiable instrument and the Waterfall Account are paid in full. Secured Party shall notify Bank promptly in writing upon payment in full of such obligations and this Agreement shall automatically terminate upon receipt of such notice.

6. Resignation of Bank.

(a) Bank shall have the right to resign as Bank hereunder upon thirty (30) days' prior written notice to Debtor and Secured Party, and in the event of such resignation, Debtor shall appoint a successor bank which must be an Eligible Institution (as defined below) and be approved by Secured Party in its sole discretion.

(b) In connection with any resignation by Bank, the resigning bank shall, at no cost to Secured Party, (A) duly assign, transfer and deliver to the successor bank this Agreement and all funds held by it hereunder, (B) execute such instruments as may be necessary to give effect to such succession and (C) take such other actions as may be reasonably required by Debtor or the successor bank in connection with the foregoing.

(c) At any time Bank fails to meet the requirements of an Eligible Institution, Secured Party may require Debtor to designate a substitute for Bank. Debtor shall designate a substitute for Bank, which meets the requirements of an Eligible Institution, within thirty (30) days after Secured Party's request, and the substitute designated by Debtor shall be subject to the approval of Secured Party, not to be unreasonably withheld, conditioned or delayed. If Debtor fails to designate a substitute for Bank within thirty (30) days or if the substitute does not meet the requirements of an Eligible Institution in Secured Party's reasonable judgment, then Secured Party may designate a substitute for Bank, subject to the reasonable approval of Debtor, which substitute meets the requirements of an Eligible Institution and such substitute designated by Secured Party shall be deemed Bank.

(d) For the purposes of this Agreement, " Eligible Institution " mean shall mean a depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch in the case of accounts in which funds are held for thirty (30) days or less (or, in the case of accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's). Bank has no duty to inform Secured Party or Debtor whether it is or is not an Eligible Institution.

7. (a) Bank will not be liable to Debtor or Secured Party for any expense, claim, loss, damage or cost (" Damages ") arising out of or relating to its performance under this Agreement other than those Damages which result directly from its acts or omissions constituting negligence, fraud or willful misconduct.

(b) In no event will Bank be liable for any special, indirect, exemplary or consequential damages, including but not limited to, lost profits.

(c) Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or act, negligence or default of Debtor or Secured Party or (ii) such failure or delay resulted from Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.

8. Debtor shall hereby indemnifies Bank against, and hold it harmless from, any and all liabilities, claims, costs, expenses and damages of any nature (including but not limited to reasonable attorney's fees and any fees and expenses incurred in enforcing this

Agreement) in any way arising out of or relating to disputes or legal actions concerning Bank's performance under this Agreement or with respect to the Waterfall Account or any negotiable instrument in respect thereof. This section does not apply to any cost or damage attributable to the negligence, fraud or intentional misconduct of Bank. Debtor's obligations under this section shall survive termination of this Agreement.

9. Debtor and Secured Party each represent and warrant to Bank that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation, by-laws or partnership agreement, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

10. Debtor agrees that:

(a) it cannot, and shall not, withdraw any monies from the Waterfall Account until such time as Secured Party advises Bank in writing that Secured Party no longer claims any interest in the Waterfall Account and any amounts deposited and to be deposited in the Waterfall Account; and

(b) it shall not permit the Waterfall Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, nature or description, other than Secured Party's security interest referred to herein.

11. Secured Party acknowledges and agrees that Bank has the right to charge the Waterfall Account from time to time, as set forth in this Agreement, as this Agreement may be amended or otherwise modified from time to time, and that Secured Party has no right to the sums so withdrawn by Bank.

12. Bank will provide Secured Party and the Debtor with a duplicate of each statement prepared in respect of the Waterfall Account.

13. Debtor agrees to pay to Bank, upon receipt of Bank's invoice, all reasonable costs, expenses and attorneys' fees (but not including the costs of any in-house legal services) incurred by Bank in connection with the enforcement of this Agreement and any instrument or agreement required hereunder, including but not limited to any such reasonable costs, expenses and fees arising out of the resolution of any conflict, dispute, motion regarding entitlement to rights or rights of action, or other action to enforce Bank's rights in a case arising under Title 11, United States Code. Debtor agrees to pay Bank, upon receipt of Bank's invoice, all reasonable costs, expenses and attorneys' fees (but not including the costs of any in-house legal services) incurred by Bank in the preparation and administration of this Agreement (including any amendments hereto or instruments or agreements required hereunder).

14. Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or

against Debtor, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against Debtor, Bank may act as Bank deems reasonably necessary to comply with all applicable provisions of governing statutes and shall be held harmless from any claim of any of the parties for so doing.

15. This Agreement may be amended only by a writing signed by Debtor, Secured Party and Bank.

16. This Agreement may be executed in counterparts; all such counterparts shall constitute but one and the same agreement.

17. Any written notice or other written communication to be given under this Agreement shall be addressed to each party at its address set forth on the signature page of this Agreement or to such other address as a party may specify in writing. Except as otherwise expressly provided herein, any such notice shall be effective upon receipt.

18. This Agreement controls in the event of any conflict between this Agreement and any other document or written or oral statement. This Agreement supersedes all prior understandings, writings, proposals, representations and communications, oral or written, of any party relating to the subject matter hereof.

19. Neither Debtor, Secured Party nor Bank may assign any of its respective rights under this Agreement without the prior written consent of the other parties, and any attempted assignment of this Agreement in violation of this Section 19 shall be null and void.

20. Nothing contained in the Agreement shall create any agency, fiduciary, joint venture or partnership relationship between Debtor, Secured Party and Bank.

21. Capitalized terms used herein but not otherwise defined herein shall have the respective meanings given to such terms in the Repurchase Agreement.

22. This Agreement and any claim, controversy or dispute arising under or related to or in connection with this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties will be governed by the laws of the State of New York without regard to any conflicts of law principles other than Section 5-1401 of the New York General Obligations Law. Bank agrees that (a) its "bank's jurisdiction" within the meaning of Section 9-304(b)(1) of the Uniform Commercial Code as in effect in the State of New York (the " NY UCC ") shall be the State of New York and (b) the Waterfall Account shall at all times constitute a "deposit account", as such term is defined in Section 9-102(a)(29) of the NY UCC.

23. From and after the date hereof, the Original Agreement shall be amended, restated and superseded in its entirety by this Agreement. The parties hereto acknowledge and agree that the liens and security interests granted under the Original Agreement are, in each case, continuing in full force and effect and, upon the amendment and restatement of the Original Agreement pursuant to this Agreement, such liens and security interests secure and continue to secure the payment of the Repurchase Obligations (as defined in the Repurchase Agreement).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year first above written.

ACRC LENDER W LLC, as a Debtor pursuant to the Repurchase Agreement

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

Address for notices:
ACRC Lender W LLC
c/o Ares Management LLC
One North Wacker Drive, 48th FLoor
Chicago, Illinois 60606
Attention: Sharon L. Ephraim

ACRC Lender W LLC
c/o Ares Management LLC
One North Wacker Drive, 48th FLoor
Chicago, Illinois 60606
Attention: Legal Department

ACRC LENDER W TRS LLC, as a Debtor pursuant to the Repurchase Agreement

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

Address for notices:
ACRC Lender W TRS LLC
c/o Ares Management LLC
One North Wacker Drive, 48th FLoor
Chicago, Illinois 60606
Attention: Sharon L. Ephraim

ACRC Lender W TRS LLC
c/o Ares Management LLC
One North Wacker Drive, 48th FLoor
Chicago, Illinois 60606
Attention: Legal Department

WELLS FARGO BANK, NATIONAL ASSOCIATION, Depository Bank

By: /s/ John Nelson
Name: John Nelson
Title: Managing Director

Address for notices:
Wells Fargo Bank, National Association
One Wells Fargo Center
301 South College Street
MAC D1053-053, 12th Floor
Charlotte, North Carolina 28202
Attention: John Nelson

Exhibit 10.14

Execution Copy

AMENDED AND RESTATED PLEDGE AGREEMENT

AMENDED AND RESTATED PLEDGE AGREEMENT, dated as of December 20, 2013, made by ACRC LENDER LLC, a Delaware limited liability company (" Pledgor ") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (" Secured Party ").

RECITALS

WHEREAS, pursuant to that certain Master Repurchase and Securities Contract, dated as of December 14, 2011 (as amended by (a) Amendment No. 1 to Master Repurchase and Securities Contract, dated as of May 22, 2012, (b) Amendment No. 2 to Master Repurchase and Securities Contract, dated as of June 27, 2013, and (c) Amendment No. 3 to Master Repurchase and Securities Contract, dated as of November 8, 2013, the " Original Repurchase Agreement "), between ACRC Lender W LLC (" Existing Seller ") and Secured Party, as buyer thereunder, Existing Seller agreed to sell, transfer and assign to Secured Party certain assets against the transfer of funds by Secured Party, with a simultaneous agreement by Secured Party to transfer to Existing Seller and Existing Seller to repurchase such assets in a repurchase transaction against the transfer of funds by Existing Seller (the " Repurchase Transactions ");

WHEREAS, in connection with the Original Repurchase Agreement, Existing Seller acknowledged and consented to that certain Pledge Agreement, dated as of December 14, 2011, made by Pledgor in favor of Secured Party (the " Original Pledge Agreement ");

WHEREAS, pursuant to that certain Amended and Restated Master Repurchase and Securities Contract, dated as of December 20, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the " Repurchase Agreement ") among Existing Seller, ACRC Lender W TRS LLC (" New Seller ", and together with Existing Seller, individually, " Seller ", or collectively, " Seller ") and Secured Party, the Original Repurchase Agreement has been amended and restated so as to join New Seller as an additional seller, jointly and severally, with Existing Seller;

WHEREAS, Pledgor is the sole, direct owner of each of Existing Seller and New Seller, and Pledgor, in such capacity, will derive substantial benefits from the respective Sellers' entering into the Repurchase Transactions; and

WHEREAS, it is a condition precedent to the obligation of Secured Party to enter into the Repurchase Agreement that Pledgor shall have executed and delivered this Pledge Agreement, amending and restating the Original Pledge Agreement in its entirety, to Secured Party.

NOW, THEREFORE, in consideration of the premises and to induce Secured Party to enter into the Repurchase Agreement and to induce Secured Party to enter into Repurchase Transactions under the Repurchase Agreement, Pledgor hereby agrees with Secured Party, as follows:

1. Defined Terms .

(a) Unless otherwise defined herein, terms that are defined in the Repurchase Agreement and used herein shall have the meanings given to them in the Repurchase Agreement.

(b) The following terms shall have the following meanings:

" Code ": the Uniform Commercial Code from time to time in effect in the State of New York.

" Collateral Account ": any securities account entered into pursuant to a control agreement such that Secured Party has "control" of all proceeds and other financial assets credited thereto under Article 8 and Article 9 of the Code, and that satisfies all other requirements of this Pledge Agreement.

" Limited Liability Company ": any entity identified on Schedule I hereto or in a supplement thereto.

" Limited Liability Company Agreement ": as to any Limited Liability Company, its certificate of formation and operating agreement or other Governing Documents, as each may be amended, supplemented or otherwise modified from time to time.

" LLC Interest ": any Limited Liability Company membership interest or economic interest therein.

" Pledge Agreement ": this Amended and Restated Pledge Agreement, as amended, supplemented or otherwise modified from time to time.

" Pledged Collateral ": the Pledged LLC Interests and all Proceeds and any other securities, instruments, general intangibles and other amounts or properties attributable thereto.

" Pledged LLC Interest ": any and all of Pledgor's interests, including units of membership interest, in the Limited Liability Companies as set forth in Schedule I attached hereto, including, without limitation, all its rights to participate in the operation or management of the Limited Liability Companies and all its rights to properties, assets, member interests and distributions (except as otherwise provided herein) under the Limited Liability Company Agreements in respect of such membership interests, together with all certificates, options or rights of any nature whatsoever that may be issued or granted by Sellers to Pledgor in respect of the Pledged LLC Interests while this Pledge Agreement is in effect.

" Proceeds ": all "proceeds" as such term is defined in Section 9-102(a)(64) of the Code which, in any event, shall include, without limitation, all dividends, distributions or other income from the Pledged LLC Interests or collections thereon with respect thereto.

" Secured Obligations ": the Repurchase Obligations.

" Securities Act ": the Securities Act of 1933, as amended.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not to any particular provision of this Pledge Agreement, and Section, Schedule, Annex and Exhibit references are to this Pledge Agreement unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Pledge; Grant of Security Interest . As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations, Pledgor hereby pledges and grants to Secured Party a security interest in the Pledged Collateral.

3. Representations and Warranties . Pledgor represents and warrants that:

(a) the Pledged LLC Interests listed on Schedule I constitute all the issued and outstanding LLC Interests of all classes of Sellers;

(b) all of the Pledged LLC Interests have been duly and validly issued and are fully paid and nonassessable;

(c) Pledgor is the record and beneficial owner of, and has title to, the Pledged LLC Interests, free of any and all Liens or options in favor of, or claims of, any other Person, except the Lien created by this Pledge Agreement;

(d) upon delivery to Secured Party of the certificates evidencing the Pledged LLC Interests, duly indorsed to Secured Party or in blank, and the filing with the Delaware Secretary of State of a UCC-1 financing statement naming Pledgor, as debtor, and Secured Party, as secured party, and describing the Pledged Collateral, the Lien granted pursuant to this Pledge Agreement will constitute a valid, perfected first priority Lien on the Pledged Collateral in favor of Secured Party, enforceable as such against all creditors of Pledgor and any Persons purporting to purchase any Pledged Collateral from Pledgor;

(e) the Pledged LLC Interests constitute "securities" (within the meaning of Section 8-103(c) of the Code), and are represented by "security certificates" (as defined in Section 8-102(a)(16) of the Code);

(f) the legal name of Pledgor is, and at all times has been, the name set forth for it on the signature page hereto;

(g) Pledgor is, and at all times has been, a limited liability company organized solely under the laws of the State of Delaware; and

(h) no third party has any interest in the Pledged LLC interests;

(i) all consents of each member in the Limited Liability Company to the grant of the security interests provided hereby and to the transfer of the Pledged LLC Interests to Secured Party or its designee pursuant to the exercise of any remedies under Section 7 hereof have been obtained and are in full force and effect.

4. Covenants . Pledgor covenants and agrees with Secured Party that, from and after the date of this Pledge Agreement until the Secured Obligations are paid in full:

(a) If Pledgor shall, as a result of its ownership of the Pledged Collateral, become entitled to receive or shall receive any membership interest certificate or similar certificate evidencing such interest (including, without limitation, any certificate representing a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights, whether in addition to, in substitution for, as a conversion of, or in exchange for any shares of the Pledged Collateral, or otherwise in respect thereof, Pledgor shall accept the same as Secured Party's agent, hold the same in trust for Secured Party and deliver the same forthwith to Secured Party in the exact form received, duly indorsed by Pledgor to Secured Party, if required, together with an undated transfer power covering such certificate duly executed in blank and with, if Secured Party so requests, signature guaranteed, to be held by Secured Party subject to the terms hereof as additional collateral security for the Secured Obligations. Any sums paid upon or in respect of the Pledged Collateral upon the liquidation or dissolution of any Seller shall be paid over to Secured Party to be held

by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Collateral or any property shall be distributed upon or with respect to the Pledged Collateral pursuant to the recapitalization or reclassification of the capital of any Seller or pursuant to the reorganization thereof, (except, and to the extent permitted by, the Repurchase Agreement), the property so distributed shall be delivered to Secured Party and the related Seller, subject to the terms hereof, as additional collateral security for the Secured Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Collateral shall be received by Pledgor, Pledgor shall (except, and to the extent permitted by, the Repurchase Agreement),, until such money or property is paid or delivered to Secured Party, hold such money or property in trust for Secured Party segregated from other funds of Pledgor, as additional collateral security for the Secured Obligations.

(b) Without the prior written consent of Secured Party, Pledgor will not (i) vote to enable, or take any other action to permit, any Seller to issue any additional equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any equity securities of any Seller, or (ii) sell, assign, transfer, exchange or purport to sell, assign, transfer or exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Collateral, or (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Pledged Collateral, or any interest therein, except for the Lien provided for by this Pledge Agreement, (iv) take any action that would cause the Pledged LLC Interests to cease to constitute "securities" (within the meaning of Section 8-103(c) of the Code), or (v) enter into any agreement or undertaking restricting the right or ability of Pledgor or Secured Party to sell, assign or transfer any of the Pledged Collateral.

(c) Pledgor shall maintain the security interest created by this Pledge Agreement as a first-priority, perfected security interest and shall defend such security interest against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of Secured Party, and at the sole expense of Pledgor, Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions as Secured Party may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted. If any amount payable under or in connection with any of the Pledged Collateral shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to Secured Party, duly endorsed in a manner satisfactory to Secured Party, to be held as Pledged Collateral pursuant to this Pledge Agreement.

(d) Pledgor agrees to pay, and to save Secured Party harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes that may be payable or determined to be payable with respect to any of the Pledged Collateral or in connection with any of the transactions contemplated by this Pledge Agreement.

(e) Pledgor will not permit the Pledged LLC Interests to be credited to a "securities account" (within the meaning of Section 8-501(a) of the Code) other than to a securities account for which Secured Party is the sole entitlement holder.

(f) Pledgor will not, unless it shall give written notice to such effect to Secured Party not more than 30 days thereafter, and shall have made any filing under the Uniform Commercial Code in effect in any affected jurisdiction as Secured Party may reasonably request to maintain the perfected security interest granted pursuant to this Pledge Agreement, (i) reorganize under the laws of another jurisdiction, or (ii) change its name, identity or structure to such an extent that any financing statement filed by Secured Party with respect to Pledgor in connection with this Pledge Agreement could become misleading.

5. Cash Dividends; Voting Rights . Unless an Event of Default shall have occurred and be continuing and Secured Party shall have given notice to Pledgor of Secured Party's intent to exercise its corresponding rights pursuant to Section 6 below, Pledgor shall be permitted to receive all cash dividends paid in the normal course of business of Sellers and consistent with past practice, to the extent permitted in the Repurchase Agreement, in respect of the Pledged Collateral and to exercise all voting and member rights with respect to the Pledged Collateral; provided , however , that no vote shall be cast or member right exercised or other action taken that would impair the Pledged Collateral or that would be inconsistent with or result in any violation of any provision of the Repurchase Agreement, this Pledge Agreement or the other Repurchase Documents.

6. Rights of Secured Party .

(a) All Proceeds of any kind that constitute financial assets as defined in Section 8-102(a) of the Code and that are received by Secured Party hereunder shall be held in a Collateral Account.

(b) If an Event of Default shall occur and be continuing and Secured Party shall give notice to Pledgor of Secured Party's intent to exercise such rights: (i) Secured Party shall have the right to receive any and all dividends or other distributions paid in respect of the Pledged Collateral and make application thereof to the Secured Obligations in the order contemplated by the Repurchase Agreement, and (ii) at the request of Secured Party, all Pledged LLC Interests not theretofore registered in the name of Secured Party or its nominee shall be so registered, and Secured Party or its nominee may thereafter exercise (A) all ownership rights, powers and privileges with respect to the Pledged LLC Interests to the same extent as a member under the applicable Limited Liability Company Agreement and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to such shares of the Pledged LLC Interests as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged LLC Interests upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate or company structure of a Seller, or upon the exercise by Secured Party of any right, privilege or option pertaining to such shares or interests of the Pledged Collateral, and in connection therewith, the right to deposit and deliver any and all of the Pledged Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine), all without liability except to account for property actually received by it, but Secured Party shall have no duty to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) The rights of Secured Party hereunder shall not be conditioned or contingent upon the pursuit by Secured Party of any right or remedy against Pledgor or against any other Person that may be or become liable in respect of all or any part of the Secured Obligations or against any other collateral security therefor, guarantee thereof or right of offset with respect thereto. Secured Party shall not be liable for any failure to demand, collect or realize upon all or any part of the Pledged Collateral or for any delay in doing so, nor shall it be under any obligation to sell or otherwise dispose of any Pledged Collateral upon the request of Pledgor or any other Person or to take any other action whatsoever with regard to the Pledged Collateral or any part thereof.

7. Remedies .

(a) If an Event of Default shall occur and be continuing and Secured Party shall give notice of its intent to exercise such rights to Pledgor, at any time at Secured Party's election, Secured Party may apply all or any part of the Proceeds held in any Collateral Account in payment of the Secured Obligations in the order contemplated by the Repurchase Agreement.

(b) If an Event of Default shall occur and be continuing, Secured Party may exercise, in addition to all other rights and remedies granted in this Pledge Agreement and in any other instrument

or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, Secured Party, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon Pledgor, Seller or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Pledged Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase or otherwise dispose of and deliver the Pledged Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, in the over-the-counter market, at any exchange, broker's board or office of Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Pledged Collateral so sold, free of any right or equity of redemption in Pledgor, which right or equity is hereby waived or released. Secured Party shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Pledged Collateral or in any way relating to the Pledged Collateral or the rights of Secured Party hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as Secured Party may elect, and only after such application and after the payment by Secured Party of any other amount required by any provision of law, including, without limitation, Section 9-615 of the Code, need Secured Party account for the surplus, if any, to Pledgor in order contemplated by the Repurchase Agreement. To the extent permitted by applicable law, Pledgor waives all claims, damages and demands it may acquire against Secured Party arising out of the exercise by Secured Party of any of its rights hereunder. If any notice of a proposed sale or other disposition of Pledged Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) Business Days before such sale or other disposition. Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Pledged Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by Secured Party to collect such deficiency.

8. Private Sales . Pledgor recognizes that Secured Party may be unable to effect a public sale of any or all the Pledged LLC Interests, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers that will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges and agrees that any such good faith private sale may result in prices and other terms less favorable to Secured Party than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Secured Party shall give to Guarantor no less than ten (10) Business Days notice in advance of such a sale. Secured Party shall be under no obligation to delay a sale of any of the Pledged LLC Interests for the period of time necessary to permit any Seller to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if Seller would agree to do so.

9. Irrevocable Authorization and Instruction to Seller . Pledgor hereby authorizes and instructs each Seller to comply with any instruction with respect to the Pledged Collateral received by it from Secured Party in writing that (a) states that an Event of Default has occurred and (b) is otherwise in accordance with the terms of this Pledge Agreement, without any other or further instructions from Pledgor, and Pledgor agrees that the Sellers shall be fully protected in so complying.

10. Secured Party's Appointment as Attorney-in-Fact .

(a) Pledgor hereby irrevocably constitutes and appoints Secured Party and any officer or agent of Secured Party, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Pledgor and in the name of Pledgor or in Secured Party's own name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Pledge Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary to perfect or maintain the security interest granted by this Pledge Agreement and, upon the occurrence and during the continuance of an Event of Default under the Repurchase Agreement necessary or reasonably desirable to accomplish the purposes of this Pledge Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in Section 10(a) . All powers, authorizations and agencies contained in this Pledge Agreement are coupled with an interest and are irrevocable until this Pledge Agreement is terminated and the security interest created hereby is released.

11. Limitation on Duties Regarding Pledged Collateral . Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Pledged Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as Secured Party deals with similar securities and property for its own account, except that Secured Party shall have no obligation to invest funds held in any Collateral Account and may hold the same as demand deposits. Secured Party or any of its respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Pledged Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Pledged Collateral upon the request of Pledgor or any other Person or to take any other action whatsoever with regard to the Pledged Collateral or any part thereof.

12. Authorization of Financing Statements . Pledgor hereby authorizes Secured Party to file financing statements with respect to the Pledged Collateral in such form and in such filing offices as Secured Party reasonably determines appropriate to perfect the security interests of Secured Party under this Pledge Agreement.

13. Powers Coupled with an Interest . All authorizations and agencies herein contained with respect to the Pledged Collateral are irrevocable and powers coupled with an interest.

14. Notices . Notices, requests and demands to or upon Secured Party or Pledgor hereunder shall be effected in the manner set forth in Section 18.12 of the Repurchase Agreement.

15. Conflicts . In the event any conflict between the terms of this Agreement and the terms of the Repurchase Agreement with respect to the same subject matter, the terms of the Repurchase Agreement shall govern, control and supersede the terms hereof.

16. Severability . Any provision of this Pledge Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Paragraph Headings . The paragraph headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

18. No Waiver; Cumulative Remedies . Secured Party shall not by any act (except by a written instrument pursuant to Section 18 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

19. Waivers and Amendments; Successors and Assigns; Governing Law . None of the terms or provisions of this Pledge Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by Pledgor and Secured Party, provided that any provision of this Pledge Agreement may be waived by Secured Party in a letter or agreement executed by Secured Party or by telex or facsimile transmission from Secured Party. This Pledge Agreement shall be binding upon the successors and assigns of Pledgor and shall inure to the benefit of Secured Party and its respective successors and assigns. THIS PLEDGE AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO OR IN CONNECTION WITH THIS PLEDGE AGREEMENT, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

20. Effect of Amendment and Restatement . From and after the date hereof, the Original Pledge Agreement shall be amended, restated and superseded in its entirety by this Pledge Agreement. The parties hereto acknowledge and agree that the liens and security interests granted under the Original Pledge Agreement are continuing in full force and effect and, upon the amendment and restatement of the

Original Pledge Agreement pursuant to this Pledge Agreement, such liens and security interests secure and continue to secure the payment of the Secured Obligations.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned has caused this Pledge Agreement to be duly executed and delivered as of the date first above written.

ACRC LENDER LLC

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

[Signature Page to the Pledge Agreement]

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned Sellers referred to in the foregoing Agreement hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to Seller. The undersigned agrees to notify Secured Party promptly in writing of the occurrence of any of the events described in Section 4(a) of this Pledge Agreement.

ACRC LENDER W LLC

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

ACRC LENDER W TRS LLC

By: /s/ Thomas A. Jaekel
Name: Thomas A. Jaekel
Title: Vice President

Exhibit 10.15

Execution Copy

AMENDED AND RESTATED GUARANTEE AGREEMENT

AMENDED AND RESTATED GUARANTEE AGREEMENT, dated as of December 20, 2013 (as amended, restated, supplemented, or otherwise modified from time to time, this " Guarantee "), made by ARES COMMERCIAL REAL ESTATE CORPORATION, a Maryland corporation (" Guarantor ") having its principal place of business c/o Ares Management LLC, One North Wacker Drive, 48 th Floor, Chicago, IL 60606, in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (" Buyer ") and any of its parent, subsidiary or affiliated companies (collectively, " Beneficiary ").

RECITALS

Pursuant to that certain Master Repurchase and Securities Contract, dated as of December 14, 2011 (as amended by (a) Amendment No. 1 (the " First Amendment ") to Master Repurchase and Securities Contract, dated as of May 22, 2012, (b) Amendment No. 2 to Master Repurchase and Securities Contract, dated as of June 27, 2013, and (c) Amendment No. 3 to Master Repurchase and Securities Contract, dated as of November 8, 2013, the " Original Repurchase Agreement ") between Wells Fargo Bank, National Association (as " Buyer ") and ACRC Lender W LLC (" Existing Seller "), as amended and restated by that certain Amended and Restated Master Repurchase and Securities Contract among Buyer, Existing Seller and ACRC Lender W TRS LLC (" New Seller " and together with Existing Seller, individually or collectively as the context may require, " Seller ") dated December 20, 2013 (as further amended, restated, supplemented or otherwise modified from time to time, the " Repurchase Agreement "), Seller agreed to sell, from time to time, to Buyer certain Whole Loans, Senior Interests and Mezzanine Loans, each as defined in the Repurchase Agreement (collectively, the " Purchased Assets "), upon the terms and subject to the conditions as set forth therein.

Pursuant to the terms of that certain Amended and Restated Custodial Agreement, dated as of December 20, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the " Custodial Agreement "), by and between Wells Fargo Bank, National Association (" Custodian "), Buyer, Existing Seller and New Seller, Custodian is required to take possession of the Purchased Assets, along with certain other documents specified in the Custodial Agreement, as Custodian of Buyer and any future purchaser, on several delivery dates, in accordance with the terms and conditions of the Custodial Agreement. The Repurchase Agreement, the Custodial Agreement, this Guarantee and any other agreements executed in connection with the Repurchase Agreement and the Custodial Agreement shall be referred to herein as the " Repurchase Documents ".

In connection with the execution and delivery by the parties thereto of the Original Repurchase Agreement, ACRC Holdings LLC, a Delaware limited liability company, (" Original Guarantor ") executed and delivered to Buyer a Guarantee Agreement dated as of December 14, 2011 (the " Original Guarantee "). As a condition precedent to the Buyer's entering into the First Amendment, (i) Beneficiary released all claims against Original Guarantor under the Original Guarantee, and (ii) Guarantor executed that certain Guarantee Agreement, dated as of May 22, 2012, in favor of Beneficiary, as amended by (a) Amendment No. 1 to Guarantee

Agreement, dated as of June 29, 2012 and (b) Amendment No. 2 to Guarantee Agreement, dated as of June 27, 2013 (the " Existing Guarantee ").

It is a condition to Buyer's entering into the Repurchase Agreement and purchasing the Purchased Assets that Guarantor amend and restate the Existing Guarantee in its entirety by executing and delivering this Guarantee in favor of Beneficiary with respect to the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, of all of the following: (a) all payment obligations owing by any Seller to Buyer under or in connection with the Repurchase Agreement and any other Repurchase Documents; (b) any and all extensions, renewals, modifications, amendments or substitutions of the foregoing; (c) all expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are incurred by Buyer in the enforcement of any of the foregoing or any obligation of Guarantor hereunder; (d) any other obligations of any Seller with respect to Buyer under each of the Repurchase Documents; and (e) if Interim Servicer is an Affiliate of either Seller or Guarantor, the timely delivery by Interim Servicer of Income into the Waterfall Account in accordance with the applicable provisions of the Repurchase Agreement including, without limitation, Section 5.01 thereof (collectively, the " Obligations ").

NOW, THEREFORE, in consideration of the foregoing premises, to induce Buyer to enter into the Repurchase Documents and to enter into the transactions contemplated thereunder, Guarantor hereby agrees with Buyer as follows:

1. Defined Terms . Unless otherwise defined herein, terms which are defined in the Repurchase Agreement and used herein are so used as so defined.

" Cash or Cash Equivalents ": All unencumbered cash, together with any and all of the following, in each case to the extent owned by Guarantor or any of its Subsidiaries free and clear of all Liens and having a maturity of not greater than ninety (90) days from the date of issuance thereof: (a) readily marketable direct obligations of the government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the government of the United States, (b) certificates of deposit of or time deposits with Buyer or a member of the Federal Reserve System that issues (or the parent of which issues) commercial paper rated as described in clause (c) below, is organized under the laws of the United states or any State thereof and has combined capital and surplus of at least $500,000,000, (c) commercial paper in an aggregate amount of not more than $50,000,000 per issuer outstanding at any time, issued by any corporation organized under the laws of any State of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P, (d) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven days with respect to securities issued or fully guaranteed or insured by the United States Government, (e) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody's, (f) securities with maturities of ninety (90) days or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of

clause (b) of this definition or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

" Debt Service ": For any Test Period, the sum of (a) Interest Expense for Guarantor determined on a consolidated basis for such period, and (b) all regularly scheduled principal payments made with respect to Indebtedness of Guarantor and its Subsidiaries during such period, other than (i) any voluntary or involuntary prepayment or (ii) prepayment occasioned by the repayment of an underlying asset, or any balloon, bullet, margin or similar principal payment which repays such Indebtedness in part or in full.

" Fixed Charge Coverage Ratio ": With respect to Guarantor at any time, the EBITDA (as determined in accordance with GAAP) for the immediately preceding twelve (12) month period ending on the last date of the applicable Test Period, divided by the Fixed Charges for the immediately preceding twelve (12) month period ending on the last date of the applicable Test Period.

" Fixed Charges ": With respect to Guarantor at any time, the sum of (a) Debt Service, (b) all preferred dividends that Guarantor is required, pursuant to the terms of the certificate of designation or other similar document governing the rights of preferred shareholders, to pay and is not permitted to defer, (c) Capital Lease Obligations paid or accrued during such period, and (d) any amounts payable under any Ground Lease.

" Investment Securities ": Any of the following, but only to the extent approved by Buyer in its sole discretion:

(a) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of less than one year;

(b) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of one to ten years; and

(c) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than ten years.

" Tangible Net Worth ": With respect to Guarantor at any time, determined on a consolidated basis, all amounts that would be included under capital or shareholder's equity (or any like caption) on the balance sheet of Guarantor, minus (a) amounts owing to Guarantor from any Affiliate thereof, or from officers, employees, partners, members, directors, shareholders or other Persons similarly affiliated with such Person or any Affiliate thereof, (b) intangible assets, and (c) prepaid taxes and/or expenses, plus deferred origination fees, net of deferred origination costs, all on or as of such date. For the sake of clarity, mortgage servicing rights shall not be deemed to be intangible assets.

" Test Period ": The time period from the first day of each calendar quarter, through and including the last day of such calendar quarter.

" Total Assets ": With respect to Guarantor and any date, an amount, determined on a consolidated basis, equal to the aggregate book value of all assets owned by Guarantor on a

consolidated basis and the proportionate share of assets owned by all non-consolidated Subsidiaries of Guarantor, less (a) amounts owing to Guarantor from any Affiliate thereof, or from officers, employees, partners, members, directors, shareholders or other Persons similarly affiliated with Guarantor or any Affiliate thereof, (b) intangible assets (other than Interest Rate Protection Agreements specifically related to the Purchased Assets), and (c) prepaid taxes and expenses, plus deferred origination fees, net of deferred origination costs, all on or as of such date. For the sake of clarity, mortgage servicing rights shall not be deemed to be intangible assets.

" Total Indebtedness ": With respect to Guarantor and any date, all amounts of Indebtedness and Non-Recourse Indebtedness of Guarantor, on or as of such date, determined on a consolidated basis.

2. Guarantee . (a) Guarantor hereby unconditionally and irrevocably guarantees to Beneficiary the prompt and complete payment and performance by each Seller when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(b) Notwithstanding anything herein to the contrary, but subject to clause (c) below, the maximum liability of Guarantor hereunder and under the Repurchase Documents shall in no event exceed the sum of (x) twenty-five percent (25%) of the then-currently unpaid aggregate Repurchase Price of all Purchased Assets consisting of Core Assets, (y) one-hundred percent (100%) of the then-currently unpaid aggregate Repurchase Price of all Purchased Assets consisting of Flex Assets, and (z) one hundred percent (100%) of all of the Obligations described in clause (e) of the definition thereof.

(c) Notwithstanding the foregoing, the limitation on recourse liability as set forth in both of clauses (x) and (y) of subsection (b) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and the Obligations shall be fully recourse to each Seller and Guarantor, jointly and severally, upon the occurrence of any of the following:

(i) a voluntary bankruptcy or insolvency proceeding is commenced by either Seller under the U.S. Bankruptcy Code or any similar federal or state law;

(ii) an involuntary bankruptcy or insolvency proceeding is commenced against Guarantor or either Seller in connection with which Seller, Guarantor or any Affiliate of any of the foregoing has or have colluded in any way with the creditors commencing or filing such proceeding; or

(iii) fraud or intentional misrepresentation by Guarantor, either Seller or any other Affiliate of Seller or Guarantor in connection with the execution and the delivery of this Guarantee, the Repurchase Agreement, or any of the other Repurchase Documents, or any certificate, report, financial statement or other instrument or document furnished to Buyer at the time of the closing of the Repurchase Agreement or during the term of the Repurchase Agreement.

(d) In addition to the foregoing and notwithstanding the limitation on recourse liability set forth in both of clauses (x) and (y) of subsection (b) above, Guarantor shall be liable

for any losses, costs, claims, expenses or other liabilities incurred by Buyer arising out of or attributable to the following items:

(i) any material breach of the separateness covenants set forth in Article 9 of the Repurchase Agreement; and

(ii) any material breach of any representations and warranties by Guarantor contained in any Repurchase Document and any material breach by Guarantor, either Seller or any of their respective Affiliates, of any representations and warranties relating to Environmental Laws, or any indemnity for costs incurred in connection with the violation of any Environmental Law, the correction of any environmental condition, or the removal of any Materials of Environmental Concern, in each case in any way affecting any Seller's or Guarantor's properties or any of the Purchased Assets.

(e) Nothing herein shall be deemed to be a waiver of any right which Buyer may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Repurchase Agreement or to require that all collateral shall continue to secure all of the indebtedness owing to the Buyer in accordance with the Repurchase Agreement or any other Repurchase Documents.

(f) Guarantor further agrees to pay any and all reasonable expenses (including, without limitation, all reasonable fees and disbursements of counsel) which may be paid or incurred by Beneficiary in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, Guarantor under this Guarantee. This Guarantee shall remain in full force and effect until the Obligations are satisfied or paid in full, notwithstanding that from time to time prior thereto Sellers may be free from any Obligations.

(g) No payment or payments made by Seller or any other Person or received or collected by Beneficiary from Seller or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Guarantor hereunder which shall, notwithstanding any such payment or payments, remain liable for the amount of the Obligations until the Obligations are paid in full.

(h) Guarantor agrees that whenever, at any time, or from time to time, Guarantor shall make any payment to Beneficiary on account of Guarantor's liability hereunder, Guarantor will notify Buyer in writing that such payment is made under this Guarantee for such purpose.

3. Subrogation . Upon making any payment hereunder, Guarantor shall be subrogated to the rights of Buyer against Seller and any collateral for any Obligations with respect to such payment; provided that Guarantor shall not seek to enforce any right or receive any payment by way of subrogation until all amounts due and payable by Seller to Buyer under the Repurchase Documents or any related documents have been paid in full; and further provided that such subrogation rights shall be subordinate in all respects to all amounts owing to the Buyer under the Repurchase Documents.

4. Amendments, etc. with Respect to the Obligations . Until the Obligations shall have been paid or performed in full, and subject to the provisions of Section 11 of this Guarantee, Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against Guarantor, and without notice to or further assent by Guarantor, any demand for payment of any of the Obligations made by Buyer may be rescinded by Buyer and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by Buyer, and any Repurchase Document and any other document in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as Buyer may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by Buyer for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Buyer shall have no obligation to protect, secure, perfect or insure any lien at any time held by it as security for the Obligations or for this Guarantee or any property subject thereto. When making any demand hereunder against Guarantor, Buyer may, but shall be under no obligation to, make a similar demand on any Seller or any other guarantor, and any failure by Buyer to make any such demand or to collect any payments from Seller or any such other guarantor or any release of Seller or such other guarantor shall not relieve Guarantor of its Obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of Buyer against Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

5. Guarantee Absolute and Unconditional . (a) Guarantor hereby agrees that its obligations under this Guarantee constitute a guarantee of payment when due and not of collection. Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by Beneficiary upon this Guarantee or acceptance of this Guarantee; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee; and all dealings between any Seller or Guarantor, on the one hand, and Beneficiary, on the other hand, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. Guarantor waives promptness, diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon Seller or Guarantor with respect to the Obligations. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (i) the validity, regularity or enforceability of any Agreement, any of the Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by Beneficiary, (ii) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by a Seller against Beneficiary, (iii) any requirement that Beneficiary exhaust any right to take any action against a Seller or any other Person prior to or contemporaneously with proceeding to exercise any right against Guarantor under this Guarantee or (iv) any other circumstance whatsoever (with or without notice to or knowledge of any Seller or Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of Seller for the Obligations or of Guarantor under this Guarantee, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against Guarantor, Beneficiary may, but shall be under no obligation, to pursue such rights and remedies that Beneficiary may have against Seller or any other Person or against any collateral security or

guarantee for the Obligations or any right of offset with respect thereto, and any failure by Beneficiary to pursue such other rights or remedies or to collect any payments from Seller or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of Seller or any such other Person or any such collateral security, guarantee or right of offset, shall not relieve Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Beneficiary against Guarantor. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon Guarantor and its successors and assigns thereof, and shall inure to the benefit of Beneficiary, and its successors, endorsees, transferees and assigns, until all of the Obligations shall have been satisfied in full, notwithstanding any sale by Buyer of any Purchased Asset as set forth in Article 10 of the Repurchase Agreement or the exercise by Buyer of any of the other rights and remedies set forth in any of the Repurchase Documents.

(b) Without limiting the generality of the foregoing, Guarantor hereby agrees, acknowledges, and represents and warrants to Beneficiary as follows:

(i) Guarantor hereby waives any defense arising by reason of, and any and all right to assert against Buyer any claim or defense based upon, an election of remedies by Beneficiary which in any manner impairs, affects, reduces, releases, destroys and/or extinguishes Guarantor's subrogation rights, rights to proceed against Seller, or any other guarantor for reimbursement or contribution, and/or any other rights of Guarantor to proceed against Seller against any other guarantor, or against any other person or security.

(ii) Guarantor is presently informed of the financial condition of Seller and of all other circumstances which diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Guarantor hereby covenants that it will make its own investigation and will continue to keep itself informed about each of Seller's financial condition, the status of other guarantors, if any, of circumstances which bear upon the risk of nonpayment and that it will continue to rely upon sources other than Buyer for such information and will not rely upon Beneficiary or any Beneficiary for any such information. Absent a written request for such information by Guarantor to Beneficiary, Guarantor hereby waives the right, if any, to require Beneficiary to disclose to Guarantor any information which Beneficiary may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor.

(iii) Guarantor has independently reviewed the Repurchase Documents and related agreements and has made an independent determination as to the validity and enforceability thereof, and in executing and delivering this Guarantee to Beneficiary, Guarantor is not in any manner relying upon the validity, and/or enforceability, and/or attachment, and/or perfection of any liens or security interests of any kind or nature granted by Seller or any other guarantor to Buyer or any Buyer, now or at any time and from time to time in the future.

6. Reinstatement . This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by Buyer upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Seller or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any of any Seller or any substantial part of such Seller's property, or otherwise, all as though such payments had not been made.

7. Payments . Guarantor hereby agrees that the Obligations will be paid to Buyer without set-off or counterclaim in U.S. Dollars at the address specified in writing by Buyer.

8. Representations and Warranties . Guarantor represents and warrants that:

(a) Guarantor has the legal capacity and the legal right to execute and deliver this Guarantee and to perform Guarantor's obligations hereunder;

(b) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other Person (including, without limitation, any creditor of Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee;

(c) this Guarantee has been duly executed and delivered by Guarantor and constitutes a legal, valid and binding obligation of Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in proceedings in equity or at law);

(d) the execution, delivery and performance of this Guarantee will not violate any law, treaty, rule or regulation or determination of an arbitrator, a court or other governmental authority, applicable to or binding upon Guarantor or any of its property or to which Guarantor or any of its property is subject (" Requirement of Law "), or any provision of any security issued by Guarantor or of any agreement, instrument or other undertaking to which Guarantor is a party or by which it or any of its property is bound (" Contractual Obligation "), and will not result in or require the creation or imposition of any lien on any of the properties or revenues of Guarantor pursuant to any Requirement of Law or Contractual Obligation of Guarantor;

(e) no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the Knowledge of Guarantor, threatened by or against Guarantor or against any of Guarantor's properties or revenues with respect to this Guarantee or any of the transactions contemplated hereby; and

(f) except as disclosed in writing to Buyer prior to the date hereof, Guarantor has filed or caused to be filed all tax returns which, to the Knowledge of Guarantor, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against him or any of Guarantor's property and all other taxes, fees or other charges imposed on him or any of Guarantor's property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by

appropriate proceedings); no tax lien has been filed, and, to the Knowledge of Guarantor, no claim is being asserted, with respect to any such tax, fee or other charge.

Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by Guarantor on the date of each Transaction under the Repurchase Agreement, on and as of such date of the Transaction, as though made hereunder on and as of such date.

9. Covenants.

(a) Total Indebtedness to Total Assets Ratio . Guarantor shall not permit the ratio of its Total Indebtedness (excluding all Contingent Liabilities) to its Total Assets for any Test Period (calculated on a consolidated basis) to be greater than 0.75 (seventy-five percent, 75%), with compliance to be tested as of the end of each Test Period.

(b) [Reserved].

(c) Fixed Charge Coverage Ratio . Commencing on the calendar quarter ending on June 30, 2013, Guarantor shall not permit its Fixed Charge Coverage Ratio for the immediately preceding twelve (12) month period ending on the last date of the applicable Test Period to be less than 1.25 to 1.00, with compliance to be tested as of the end of each Test Period.

(d) Tangible Net Worth . Guarantor shall not permit its Tangible Net Worth to be less than the sum of (i) $135,520,000, plus (ii) eighty percent (80%) of the net proceeds (after the deduction of all related transaction costs) of all subsequent issuances of equity by Guarantor, with compliance to be tested as of the end of each Test Period. Seller shall confirm the amount of Guarantor's Tangible Net Worth as of the date of this Guarantee, in writing in a Compliance Certificate executed and delivered to Buyer on May 22, 2012.

10. Severability . Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. Paragraph Headings . The paragraph headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

12. No Waiver; Cumulative Remedies . Buyer shall not by any act (except by a written instrument pursuant to Section 13 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default or event of default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of Buyer, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Buyer of any right or remedy hereunder on any one

occasion shall not be construed as a bar to any right or remedy which Buyer would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

13. Waivers and Amendments; Successors and Assigns; Governing Law . None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by Guarantor and Buyer, provided that, subject to any limitations set forth in the Repurchase Agreement, any provision of this Guarantee may be waived by Buyer in a letter or agreement executed by Buyer or by telex or facsimile transmission from Buyer. This Guarantee shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of Buyer, and their respective successors and assigns. **THIS GUARANTEE AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO OR IN CONNECTION WITH THIS GUARANTEE, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.**

14. Notices . Notices by Buyer to Guarantor may be given by mail, or by telecopy transmission, addressed to Guarantor at the address or transmission number set forth under its signature below and shall be effective (a) in the case of mail, five days after deposit in the postal system, first class certified mail and postage pre-paid, (b) one Business Day following timely delivery to a nationally recognized overnight courier service for next Business Day delivery and (c) in the case of telecopy transmissions, when sent, transmission electronically confirmed if prior to 5:00 p.m. local recipient time on a Business Day, and otherwise on the next succeeding Business Day. Notices to Buyer by Guarantor may be given in the manner set forth in the Repurchase Agreement.

15. SUBMISSION TO JURISDICTION; WAIVERS . EACH OF GUARANTOR AND BENEFICIARY HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS FOR GUARANTOR AND GUARANTOR'S PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND THE OTHER REPURCHASE DOCUMENTS TO WHICH GUARANTOR IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(B) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN

ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(C) AGREES THAT SERVICE OF PROCESS IN ANY ACTION OR PROCEEDING UNDER THIS GUARANTEE MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH PARTY AT SUCH PARTY'S ADDRESS, AS SET FORTH UNDER GUARANTOR'S SIGNATURE BELOW, WITH RESPECT TO DELIVERIES SENT TO GUARANTOR, OR, WITH RESPECT TO DELIVERIES SENT TO BUYER, AT THE ADDRESS SET FORTH IN THE REPURCHASE AGREEMENT, OR, IN EITHER CASE, AT SUCH OTHER ADDRESS OF WHICH THE OTHER PARTY SHALL HAVE BEEN NOTIFIED; AND

(D) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

16. Integration . This Guarantee represents the agreement of Guarantor with respect to the subject matter hereof and there are no promises or representations by Buyer or any Buyer relative to the subject matter hereof not reflected herein.

17. Acknowledgments . Guarantor hereby acknowledges that:

(a) Guarantor has been advised by counsel in the negotiation, execution and delivery of this Guarantee and the related documents;

(b) neither Buyer nor any Beneficiary has any fiduciary relationship to Guarantor, and the relationship between Beneficiary and Guarantor is solely that of surety and creditor; and

(c) no joint venture exists between or among any of Buyer, the Beneficiary, Guarantor and Sellers.

18. WAIVERS OF JURY TRIAL . EACH OF GUARANTOR AND BENEFICIARY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE OR ANY RELATED DOCUMENT AND FOR ANY COUNTERCLAIM HEREIN OR THEREIN.

19. Effect of Amendment and Restatement . From and after the date hereof, the Existing Guarantee from Guarantor in favor of Buyer, shall be amended, restated and superseded in its entirety by this Guarantee.

[SIGNATURES COMMENCE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Guarantee Agreement to be duly executed and delivered as of the date first above written.

ARES COMMERCIAL REAL ESTATE CORPORATION, a Maryland corporation

By: /s/ Timothy B. Smith
Name: Timothy B. Smith
Title: Vice President

Address for Notices:

Ares Commercial Real Estate Corporation
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, IL 60606
Attention: Sharon L. Ephraim

Ares Commercial Real Estate Corporation
c/o Ares Management LLC
One North Wacker Drive, 48th Floor
Chicago, IL 60606
Attention: Legal Department

With a copy to:

David Shapiro, Esq. (030205-0128)
Latham & Watkins LLP
885 Third Avenue
New York, NY 10022

Exhibit 10.17

MANAGEMENT AGREEMENT
BETWEEN
ARES COMMERCIAL REAL ESTATE CORPORATION
AND
ARES COMMERCIAL REAL ESTATE MANAGEMENT LLC

This Management Agreement (this " Agreement ") is made as of April 25, 2012, by and between Ares Commercial Real Estate Corporation, a Maryland corporation (together with its subsidiaries, the " Company "), and Ares Commercial Real Estate Management LLC, a Delaware limited liability company (the " Manager ").

WHEREAS, the Company is a newly organized specialty finance company focused on originating, investing in and managing middle-market commercial real estate loans and other commercial real estate-related investments;

WHEREAS, the Company intends to qualify as a real estate investment trust for federal income tax purposes and will elect to receive the tax benefits afforded by Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the " Code "); and

WHEREAS, the Company desires to retain the Manager to administer the business activities and day-to-day operations of the Company and to perform services for the Company in the manner and on the terms set forth herein and the Manager wishes to be retained to provide such services.

NOW THEREFORE, the Company and the Manager hereby agree as follows:

Section 1. Definitions.

(a) The following terms shall have the meanings set forth in this Section 1(a):

" Affiliate " means (i) any Person directly or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer or general partner of such other Person, (iii) any member of the board of directors or board of managers (or bodies performing similar functions) of such Person, and (iv) any legal entity for which such Person acts as an executive officer or general partner.

" Agreement " has the meaning set forth in the Preamble.

" Automatic Renewal Term " has the meaning set forth in Section 10(a) hereof.

" Bankruptcy " means, with respect to any Person, (i) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code or any other U.S. federal or state or foreign insolvency law, or such Person's filing an answer consenting to or acquiescing in any such petition, (ii) the making by such Person of any assignment for the benefit of its creditors, (iii) the expiration of 60 days after the filing of an involuntary petition under Title 11 of the United States Code, an application for the appointment of a receiver for a material portion of the assets of such Person, or an involuntary petition

seeking liquidation, reorganization, arrangement or readjustment of its debts under any other U.S. federal or state or foreign insolvency law, *provided* that the same shall not have been vacated, set aside or stayed within such 60 day period or (iv) the entry against such Person of a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereinafter in effect.

" Base Management Fee " means the base management fee, calculated and payable quarterly in arrears, in an amount equal to one-fourth of 1.50% of the Company's Equity.

" Board " means the board of directors of the Company.

" Business Day " means any day except a Saturday, a Sunday or a day on which banking institutions in New York, New York are not required to be open.

" Claim " has the meaning set forth in Section 8(c) hereof.

" Closing Date " means the date of closing of the Initial Public Offering.

" Code " has the meaning set forth in the Recitals.

" Common Stock " means the common stock, par value $0.01, of the Company.

" Company " has the meaning set forth in the Recitals.

" Company Account " has meaning set forth in Section 4 hereof.

" Company Indemnified Party " has meaning set forth in Section 8(b) hereof.

" Confidential Information " has the meaning set forth in Section 5 hereof.

" Core Earnings " means the net income (loss), computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between the Manager and the Independent Directors and approved by a majority of the Independent Directors.

For the avoidance of doubt, the exclusion of depreciation and amortization in the calculation of Core Earnings shall only apply to depreciation and amortization related to Target Investments that are structured as debt to the extent that the Company forecloses upon the property or properties underlying such debt.

" Effective Termination Date " has the meaning set forth in Section 10(b) hereof.

" Equity " means:

(i) the sum of (A) the net proceeds from all issuances of the Company's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (B) the Company's retained earnings at the end of the most recently completed fiscal quarter determined in accordance with GAAP (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less

(ii) (A) any amount that the Company has paid to repurchase the Common Stock since inception; (B) any unrealized gains and losses and other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, and (C) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between the Manager and the Independent Directors and approval by a majority of the Independent Directors.

" Equity Incentive Plans " means the equity incentive plans adopted by the Company to provide incentive compensation to attract and retain qualified directors, officers, advisors, consultants and other personnel, including the Manager and its Affiliates and their personnel, and any joint venture affiliates of the Company, including the 2012 Equity Incentive Plan.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" GAAP " means generally accepted accounting principles in effect in the United States on the date such principles are applied.

" Governing Instruments " means, with regard to any entity, the articles of incorporation or certificate of incorporation and bylaws in the case of a corporation, the certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the certificate of formation and operating agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents in each case as amended.

" HY Funds " has the meaning set forth in Section 2(a) hereof.

" Incentive Compensation " means the incentive management fee calculated and payable with respect to each fiscal quarter (or part thereof that this Agreement is in effect) in arrears in an amount, not less than zero, obtained by subtracting:

(a) the sum of any Incentive Compensation earned by the Manager with respect to the first three fiscal quarters of such previous 12-month period from

(b) the product of (i) 20% and (ii) the amount obtained by subtracting (A) the product of (1) the weighted average issue price per share of the Common Stock of all of the Company's public offerings of Common Stock multiplied by the weighted average number of shares of Common Stock outstanding (including, for the avoidance of doubt, any restricted shares of Common Stock, restricted stock units or any shares of Common Stock not yet issued but underlying other

awards granted under one or more of the Company's Equity Incentive Plans) in the previous 12-month period, and (2) 8% from (B) Core Earnings of the Company for the previous 12-month period;

provided , *however* , that no Incentive Compensation shall be payable with respect to any fiscal quarter unless cumulative Core Earnings for the 12 most recently completed fiscal quarters is greater than zero.

For purposes of calculating the Incentive Compensation prior to the completion of a 12-month period during the term of this Agreement, Core Earnings shall be calculated on the basis of the number of days that this Agreement has been in effect on an annualized basis.

If the Effective Termination Date does not correspond to the end of a fiscal quarter, the Manager's Incentive Compensation shall be calculated for the period beginning on the day after the end of the fiscal quarter immediately preceding the Effective Termination Date and ending on the Effective Termination Date, which Incentive Compensation shall be calculated using Core Earnings for the 12-month period ending on the Effective Termination Date.

" Indemnified Party " has the meaning set forth in Section 8(b) hereof.

" Independent Director " means a member of the Board who is "independent" in accordance with the Company's Governing Instruments and the rules of the NYSE or such other securities exchange on which the shares of Common Stock are listed.

" Initial Public Offering " means the Company's underwritten sale of Common Stock to the public pursuant to the Company's Registration Statement on Form S-11 (No. 333-176841).

" Initial Term " has the meaning set forth in Section 10(a) hereof.

" Investment Committee " means the investment committee formed by the Manager, the members of which shall consist of employees of the Manager and its Affiliates and may change from time to time.

" Investment Company Act " means the Investment Company Act of 1940, as amended.

" Investment Guidelines " means the investment guidelines, a copy of which is attached hereto as Exhibit A , as the same may amended, restated, modified, supplemented or waived pursuant to the approval of a majority of the entire Board (which must include a majority of the Independent Directors) and the Investment Committee.

" Losses " has the meaning set forth in Section 8(a) hereof.

" Manager " has the meaning set forth in the Recitals.

" Manager Change of Control " means, other than as set forth in the immediately following sentence, a change in the direct or indirect (i) beneficial ownership of more than 50% of the combined voting power of the Manager's then outstanding equity interests, or (ii) power to direct or control the management policies of the Manager, whether through the ownership of beneficial equity interests, common directors or officers, by contract or otherwise. A Manager Change of Control shall not include changes resulting from (x) public offerings of the equity interests of the Manager or one of its Affiliates or (y) any assignment of this Agreement by the Manager as permitted hereby and in accordance with the terms hereof.

" Manager Indemnified Party " has the meaning set forth in Section 8(a) hereof.

" Manager Permitted Disclosure Parties " has the meaning set forth in Section 5 hereof.

" Monitoring Services " means monitoring services with respect to the Company's investments, including (i) negotiating servicing agreements, (ii) acting as a liaison between the servicers of the assets and the Company, (iii) review of servicers' delinquency, foreclosure and other reports on assets, (iv) supervising claims filed under any insurance policies and (v) enforcing the obligation of any servicer to repurchase assets.

" Notice of Proposal to Negotiate " has the meaning set forth in Section 10(c) hereof.

" NYSE " means The New York Stock Exchange.

" Person " means any natural person, corporation, partnership, association, limited liability company, estate, trust, joint venture, any federal, state, county or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of the foregoing.

" Portfolio Management Services " means portfolio management services with respect to the Company's investments, including (i) consulting with the Company on the purchase and sale of, and other opportunities in connection with, the Company's portfolio of investments, (ii) the collection of information and the submission of reports pertaining to the Company's investments, interest rates and general economic conditions, (iii) periodic review and evaluation of the performance of the Company's portfolio of investments, (iv) acting as liaison between the Company and banking, mortgage banking and investment banking institutions and other parties with respect to the purchase, financing and disposition of investments and (iv) other customary functions related to portfolio management.

" Portfolio Investments " has the meaning set forth in Section 2(a) hereof.

" Regulation FD " means Regulation FD as promulgated by the SEC.

" REIT " means a "real estate investment trust" as defined under the Code.

" SEC " means the United States Securities and Exchange Commission.

" Securities Act " means the Securities Act of 1933, as amended.

" Sub-Manager " has the meaning set forth in Section 2(c) hereof.

" Target Investments " means the types of investments described under "Business—Our Investment Strategy" in the Company's prospectus dated April 25, 2012, relating to the Initial Public Offering, subject to, and including any changes to the Investment Guidelines that may be approved by the Manager and the Board from time to time.

" Termination Fee " means a termination fee equal to three times the sum of (i) the average annual Base Management Fee, and (ii) average annual Incentive Compensation, in each case earned by the Manager during the 24-month period immediately preceding the most recently completed fiscal quarter prior to the Effective Termination Date.

" Termination Notice " has the meaning set forth in Section 10(b) hereof.

" Termination Without Cause " has the meaning set forth in Section 10(b) hereof.

" Underwriting Agreement" means the underwriting agreement, dated as of April 25, 2012, among the Company, the Manager and the underwriters of the Initial Public Offering.

" Underwriting Committee " means the underwriting committee formed by the Manager, the members of which shall consist of employees of the Manager and its Affiliates and may change from time to time.

" Underwriting Fee " has meaning set forth in Section 6(a) hereof.

(b) As used herein, accounting terms relating to the Company not defined in Section 1(a) hereof and accounting terms partly defined in Section 1(a) hereof, to the extent not defined, shall have the respective meanings given to them under GAAP. As used herein, "fiscal quarters" shall mean the period from January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31 of the applicable year.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words include, includes and including shall be deemed to be followed by the phrase "without limitation."

Section 2. Appointment and Duties of the Manager.

(a) The Company hereby appoints the Manager to manage the investments and day to-day operations of the Company, subject at all times to the further terms and conditions set forth in this Agreement and to the supervision of, and such further limitations or parameters as may be imposed from time to time by, the Board. The Manager hereby agrees to use its commercially reasonable efforts to perform each of the duties set forth herein, *provided* that funds are made available by the Company for such purposes as set forth in Section 7 hereof. The appointment of the Manager shall be exclusive to the Manager, except to the extent that the Manager elects, in its sole and absolute discretion, subject to the terms of this Agreement, to cause the duties of the Manager as set forth herein to be provided by third parties.

The Manager, in its capacity as manager of the investments and the operations of the Company, at all times will be subject to the supervision and direction of the Board and will have only such functions and authority as the Board may delegate to it, including managing the Company's business affairs in conformity with the Investment Guidelines and policies that are approved and monitored by the Board. The Company and the Manager hereby acknowledge the recommendation by the Manager and the approval by the Board, of the Investment Guidelines, including the Company's investment strategy in the Target Investments. The Company and the Manager hereby acknowledge and agree that, during the term of this Agreement, any proposed changes to the Company's investment strategy that would modify or expand the Target Investments may only be recommended by the Manager and shall require the approval of the Board and the Manager. The Company also acknowledges that, until the expiration of the investment period of Wrightwood Capital High Yield Partners II LP, Wrightwood Capital High Yield Investors II LP, Wrightwood Capital High Yield Associates II LP and Wrightwood Capital High Yield Advisors II LP (together, the " HY Funds ") (which expires on December 31, 2012), the Manager must provide the HY Funds with a right of first offer with respect to investments in mezzanine indebtedness, B-notes, preferred equity, joint venture equity interests, distressed opportunities including recapitalizations and the acquisition of distressed indebtedness or equity, or other interests, direct or indirect, in or relating to single or multiple real estate properties or assets (including, for all purposes hereunder, land, buildings and other improvements and related personal or intangible personal property), and investments that are substantially similar to the foregoing, and pools or portfolios of real estate interests or assets, partial interests or rights in real estate interests or assets that relate to the foregoing (" Portfolio Investments ") that require less than $12,152,411 of capital.

(b) The Manager will be responsible for the day-to-day operations of the Company, and will perform (or cause to be performed) such services and activities relating to the investments and operations of the Company as may be appropriate, which may include:

(i) forming the Underwriting Committee, which will have the following responsibilities: (A) reviewing investment opportunities presented to it by senior investment professionals of the Manager; and (B) referring those investment opportunities that it approves to the Investment Committee for further review.

(ii) forming the Investment Committee, which will have the following responsibilities: (A) reviewing investment opportunities presented to it by the

Underwriting Committee and (B) reviewing the Company's investment portfolio for compliance with the Investment Guidelines at least on a quarterly basis, or more frequently as necessary;

(iii) serving as the Company's consultant with respect to the periodic review of the Investment Guidelines and other parameters for the Company's investments, financing activities and operations, any modification to which will be approved by the Board;

(iv) investigating, analyzing and selecting possible investment opportunities and originating, acquiring, financing, retaining, selling, restructuring or disposing of investments consistent with the Investment Guidelines;

(v) with respect to prospective purchases, sales or exchanges of investments, conducting negotiations on the Company's behalf with sellers, purchasers and brokers and, if applicable, their respective agents and representatives;

(vi) negotiating and entering into, on the Company's behalf, repurchase agreements, interest rate swap agreements and other agreements and instruments required for the Company to conduct the Company's business;

(vii) engaging and supervising, on the Company's behalf and at the Company's expense, independent contractors that provide investment banking, securities brokerage, mortgage brokerage and other financial services, due diligence services, underwriting review services, legal and accounting services, and all other services (including transfer agent and registrar services) as may be required relating to the Company's operations or investments (or potential investments);

(viii) coordinating and managing operations of any joint venture or co-investment interests held by the Company and conducting all matters with the joint venture or co investment partners;

(ix) providing executive and administrative personnel, office space and office services required in rendering services to the Company;

(x) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the Company's management as may be agreed upon by the Manager and the Board, including the collection of revenues and the payment of the Company's debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

(xi) communicating on the Company's behalf with the holders of any of the Company's equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders, including website maintenance, logo design, analyst presentations, investor conferences and annual meetings arrangements;

(xii) counseling the Company in connection with policy decisions to be made by the Board;

(xiii) evaluating and recommending to the Board hedging strategies and engaging in hedging activities on the Company's behalf, consistent with such strategies as so modified from time to time, with the Company's qualification as a REIT and with the Investment Guidelines;

(xiv) counseling the Company regarding the maintenance of the Company's qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Code and Treasury Regulations thereunder and using commercially reasonable efforts to cause the Company to qualify for taxation as a REIT;

(xv) counseling the Company regarding the maintenance of the Company's exemption from the status of an investment company required to register under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause the Company to maintain such exemption from such status;

(xvi) furnishing reports and statistical and economic research to the Company regarding the Company's activities and services performed for the Company by the Manager;

(xvii) monitoring the operating performance of the Company's investments and providing periodic reports with respect thereto to the Board, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xviii) investing and reinvesting any monies and securities of the Company (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses or payments of dividends or distributions to the Company's stockholders, partners or members) and advising the Company as to the Company's capital structure and capital raising;

(xix) causing the Company to retain qualified accountants and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations and compliance with the provisions of the Code applicable to REITs and, if applicable, taxable REIT subsidiaries, and to conduct quarterly compliance reviews with respect thereto;

(xx) assisting the Company in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xxi) assisting the Company in complying with all regulatory requirements applicable to the Company in respect of the Company's business activities, including preparing or causing to be prepared all financial statements required under applicable

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regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act or the Securities Act, or by the NYSE;

(xxii) assisting the Company in taking all necessary action to enable the Company to make required tax filings and reports, including soliciting information from stockholders, partners or members to the extent required by the provisions of the Code applicable to REITs;

(xxiii) placing, or arranging for the placement of, all orders pursuant to the Manager's investment determinations for the Company either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

(xxiv) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Company may be involved or to which the Company may be subject arising out of the Company's day-to-day operations (other than with the Manager or its Affiliates), subject to such limitations or parameters as may be imposed from time to time by the Board;

(xxv) using commercially reasonable efforts to cause expenses incurred by the Company or on the Company's behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the Board from time to time;

(xxvi) advising the Company with respect to and structuring long-term financing vehicles for the Company's portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

(xxvii) serving as the Company's consultant with respect to decisions regarding any of the Company's financings, hedging activities or borrowings undertaken by the Company, including (A) assisting the Company in developing criteria for debt and equity financing that is specifically tailored to the Company's investment objectives, and (B) advising the Company with respect to obtaining appropriate financing for the Company's investments;

(xxviii) providing the Company with Portfolio Management Services and Monitoring Services;

(xxix) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote the Company's business;

(xxx) using commercially reasonable efforts to cause the Company to comply with all applicable laws; and

(xxxi) performing such other services as may be required from time to time for management and other activities relating to the Company's assets and business as the Board shall reasonably request or the Manager shall deem appropriate under the particular circumstances.

(c) The Manager may retain, for and on behalf, and at the sole cost and expense, of the Company, such services of the persons and firms referred to in Section 7(a) hereof as the Manager deems necessary or advisable in connection with the management and operations of the Company; provided that any such agreement shall be on terms and conditions substantially identical to the terms and conditions of this Agreement or otherwise not adverse to the Company. In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including accountants, legal counsel and other professional service providers) hired by the Manager at the Company's sole cost and expense. In addition, the Manager is hereby authorized to enter into one or more sub-advisory agreements with other investment managers (each, a " Sub-Manager ") pursuant to which the Manager may obtain the services of the Sub-Manager(s) to assist the Manager in providing the investment advisory services required to be provided by the Manager under Section 2 (a) hereof. Specifically, the Manager may retain a Sub-Manager to recommend specific securities or other investments based upon the Company's Investment Guidelines, and work, along with the Manager, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Manager and the Company. The Manager, and not the Company, shall be responsible for any compensation payable to any Sub-Manager. Any sub-management agreement entered into by the Manager shall be in accordance with applicable laws. Nothing in this subsection (c) will obligate the Manager to pay any expenses that are the expenses of the Company under Section 2 hereof.

(d) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) is not in compliance with the Investment Guidelines, (ii) would adversely and materially affect the qualification of the Company as a REIT under the Code or the Company's status as an entity intended to be exempted or excluded from investment company status under the Investment Company Act, or (iii) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Company or of any exchange on which the securities of the Company may be listed or that would otherwise not be permitted by the applicable Governing Instruments. If the Manager is ordered to take any action by the Board, the Manager shall promptly notify the Board if it is the Manager's judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation or Governing Instruments. Notwithstanding the foregoing, neither the Manager nor any of its Affiliates, nor any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to the Manager shall be liable to the Company, the Board, or the Company's stockholders, partners or members, for any act or omission by the Manager or any of its Affiliates, except as provided in Section 7 (d) hereof.

(e) The Company (including the Board) agrees to take all actions reasonably required to permit and enable the Manager to carry out its duties and obligations under this Agreement, including all steps reasonably necessary to allow the Manager to file any registration statement or other filing required to be made under the Securities Act, Exchange Act, the NYSE's Listed Company Manual, Code or other applicable law, rule or regulation on behalf of the Company in a timely manner. The Company further agrees to use commercially reasonable efforts to make available to the Manager all resources, information and materials reasonably requested by the Manager to enable the Manager to satisfy its obligations hereunder, including its obligations to prepare, or cause to be prepared, required financial statements or other information or reports with respect to the Company.

(f) As frequently as the Manager may deem necessary or advisable, or at the direction of the Board, the Manager shall prepare, or, at the sole cost and expense of the Company, cause to be prepared, any reports and other information relating to any proposed or consummated investment as may be reasonably requested by the Company.

(g) The Manager shall prepare, or cause to be prepared, at the sole cost and expense of the Company, all reports, financial or otherwise, with respect to the Company reasonably required by the Board in order for the Company to comply with its Governing Instruments, or any other materials required to be filed with any governmental body or agency, and shall prepare, or cause to be prepared, at the sole cost and expense of the Company, all materials and data necessary to complete such reports and other materials, including an annual audit of the Company's books of account by a nationally recognized independent accounting firm.

(h) The Manager shall prepare, or cause to be prepared, at the sole cost and expense to the Company, regular reports for the Board to enable the Board to review the Company's acquisitions, portfolio composition and characteristics, credit quality, performance and compliance with the Investment Guidelines and policies approved by the Board.

(i) Officers, employees, personnel and agents of the Manager and its Affiliates may serve as directors, officers, agents, nominees or signatories for the Company, to the extent permitted by their Governing Instruments, by this Agreement or by any resolutions duly adopted by the Board. When executing documents or otherwise acting in such capacities for the Company, such persons shall indicate in what capacity they are executing on behalf of the Company. Without limiting the foregoing, while this Agreement is in effect, the Manager will provide the Company with a management team, including a Chief Executive Officer and/or President or similar positions along with appropriate support personnel, to provide the management services to be provided by the Manager to the Company hereunder, who shall devote such of their time to the management of the Company as necessary and appropriate, commensurate with the level of activity of the Company from time to time.

(j) The Manager shall have the power and authority on behalf of the Company to effect investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to incur debt financing, the Manager will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Board. If it is necessary for the Manager to make investments on behalf of the Company through a special purpose vehicle, the Manager shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle in accordance with the Investment Guidelines.

(k) The Manager, at its sole cost and expense, shall provide personnel for service on the Underwriting Committee and the Investment Committee.

(l) The Manager, at its sole cost and expense, shall maintain reasonable and customary "errors and omissions" insurance coverage and other customary insurance coverage in respect of its obligations and activities under, or pursuant to, this Agreement.

(m) The Manager acknowledges receipt of the Company's Code of Business Conduct and Ethics and Policy on Insider Trading agrees to require the Persons who provide services to the Company to comply with the Code of Business Conduct and Ethics and the Policy on Insider Trading in the performance of such services hereunder or such comparable policies as shall in substance hold such Persons to at least the standards of conduct set forth in the Code of Business Conduct and Ethics and the Policy on Insider Trading.

Section 3. Additional Activities of the Manager; Non-Solicitation; Restrictions.

(a) Except as provided in the last sentence of this Section 3(a) and/or the Investment Guidelines, nothing in this Agreement shall (i) prevent the Manager or any of its Affiliates, officers, directors or employees, from engaging in other businesses or from rendering services of any kind to any other Person or entity, whether or not the investment objectives or policies of any such other Person or entity are similar to those of the Company, (ii) in any way bind or restrict the Manager or any of its Affiliates or any of their members, stockholders, managers, partners, personnel, officers, directors, employees or consultants from buying, selling or trading any securities or commodities for their own accounts or for the account of others for whom the Manager or any of its Affiliates, or any of their members, stockholders, managers, partners, personnel, officers, directors, employees or consultants may be acting, (iii) obligate the Manager to dedicate any of its officers or personnel exclusively to the Company or (iv) obligate the Company's officers to dedicate any specific portion of their time to the Company's business. While information and recommendations supplied to the Company shall, in the Manager's reasonable and good faith judgment, be appropriate under the circumstances and in light of the investment objectives and policies of the Company, they may be different from the information and recommendations supplied by the Manager or any Affiliate of the Manager to others. The Company shall be entitled to equitable treatment under the circumstances in receiving information, recommendations and any other services, but the Company recognizes that it is not entitled to receive preferential treatment as compared with the treatment given by the Manager or any Affiliate of the Manager to others. The Company shall have the benefit of the Manager's best judgment and effort in rendering services hereunder and, in furtherance of the foregoing, the Manager shall not undertake activities that, in its good faith judgment, will adversely affect the performance of its obligations under this Agreement. Notwithstanding anything to the contrary herein, for so long as the Manager is managing the Company pursuant to this Agreement, neither it nor any of its Affiliates will sponsor or manage any other U.S. publicly traded REIT that invests primarily in the Target Investments (taken as a whole).

(b) In the event of a Termination Without Cause of this Agreement by the Company pursuant to Section 10(b) hereof, for two years after such termination of this Agreement, the Company shall not, without the consent of the Manager, employ or otherwise retain any employee of the Manager or any of its Affiliates or any person who has been employed by the Manager or any of its Affiliates at any time within the two-year period immediately preceding the date on which such person commences employment with or is otherwise retained by the Company. The Company acknowledges and agrees that, in addition to any damages, the Manager shall be entitled to equitable relief for any violation of this Section 3(b) by the Company, including injunctive relief. If any person who is a member, stockholder, manager, partner, personnel, officer, director or employee of the Manager or any of its Affiliates or provides sub-advisory services to the Manager is or becomes a director, officer and/or employee

of the Company and acts as such in any business of the Company, then such member, stockholder, manager, partner, personnel, officer, director and/or employee of the Manager or its Affiliate or person providing sub-advisory services to the Manager shall be deemed to be acting in such capacity solely for the Company, and not as a member, stockholder, manager, partner, personnel, officer, director or employee of the Manager or its Affiliate, a person providing sub-advisory services to the Manager or under the control or direction of the Manager or its Affiliate, even if paid by the Manager or its Affiliate.

Section 4. Bank Accounts. At the direction of the Board, the Manager may establish and maintain one or more bank accounts in the name of the Company (any such account, a "Company Account"), and may collect and deposit into any such account or accounts, and disburse funds from any such account or accounts, under such terms and conditions as the Board may approve; and the Manager shall from time to time render appropriate accountings of such collections and payments to the Board and, upon request, to the auditors of the Company.

Section 5. Records; Confidentiality.

The Manager shall maintain appropriate books of accounts and records relating to services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Company at any time during normal business hours upon reasonable advance notice. The Manager shall keep confidential any and all non-public information, written or oral, obtained by it in connection with the services rendered hereunder (" Confidential Information ") and shall not use Confidential Information except in furtherance of its duties under this Agreement or disclose Confidential Information, in whole or in part, to any Person other than (a) to its Affiliates, (b) to its and its Affiliates' members, stockholders, managers, partners, personnel, officers, directors, employees, consultants, agents, representatives or advisors who need to know such Confidential Information, (c) to appraisers, financing sources and others in the ordinary course of the Company's business ((a), (b) and (c) collectively, " Manager Permitted Disclosure Parties "), (d) in connection with any governmental or regulatory filings of the Company or disclosure or presentations to Company investors (subject to compliance with Regulation FD), (e) to governmental officials having jurisdiction over the Company, (f) as requested by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party or (g) with the consent of the Board. The Manager agrees to inform each of its Manager Permitted Disclosure Parties of the non-public nature of the Confidential Information and instruct the Manager Permitted Disclosure Parties to keep such information confidential. Nothing herein shall prevent the Manager from disclosing Confidential Information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of, or pursuant to any law or regulation to, any regulatory agency or authority, (iii) to the extent reasonably required in connection with the exercise of any remedy hereunder, or (iv) to its legal counsel or independent auditors; *provided , however ,* that with respect to clauses (i) and (ii), it is agreed that, so long as not legally prohibited, the Manager will provide the Company with prompt written notice of such order, request or demand so that the Company may seek, at its sole expense, an appropriate protective order and/or waive the Manager's compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Manager is required to disclose Confidential Information, the Manager may disclose only that portion of such information that is legally required without liability hereunder; *provided ,* that the Manager agrees to exercise its commercially reasonable efforts to obtain

reliable assurance that confidential treatment will be accorded such information. Notwithstanding anything herein to the contrary, each of the following shall be deemed to be excluded from provisions hereof: any Confidential Information that (A) is available to the public from a source other than the Manager; (B) is released by the Company to the public or to Persons who are not under similar obligation of confidentiality to the Company; or (C) is obtained by the Manager from a third party that, to the best of the Manager's knowledge, has not breached an obligation of confidence with respect to the Confidential Information disclosed. The provisions of this Section 5 shall survive the expiration or earlier termination of this Agreement for a period of one year.

Section 6. Compensation.

(a) For the services rendered under this Agreement, the Company shall pay the Base Management Fee and the Incentive Compensation to the Manager. The Manager will not receive any compensation for the period prior to the Closing Date other than expenses incurred and reimbursed pursuant to Section 7 hereof. The Manager and the Company acknowledge the obligation of the Manager to pay to the underwriters of the Initial Public Offering the underwriting fee set forth in the Underwriting Agreement (the " Underwriting Fee ").

(b) The parties acknowledge that the Base Management Fee is intended to compensate the Manager for certain expenses it will incur pursuant to this Agreement that are not otherwise reimbursable under Section 7 hereof, in order for the Manager to provide the Company the investment advisory services and certain general management services rendered under this Agreement.

(c) The Base Management Fee shall be payable in arrears in cash, in quarterly installments commencing with the quarter in which this Agreement is executed. If applicable, the initial and final installments of the Base Management Fee shall be prorated based on the number of days during the initial and final quarter, respectively, that this Agreement is in effect. The Manager shall calculate each quarterly installment of the Base Management Fee, and deliver such calculation to the Company, for informational purposes only and subject in any event to Section 10(b) of this Agreement, within 30 days following the last day of each fiscal quarter. The Company shall pay the Manager each installment of the Base Management Fee in cash within five Business Days after the date of delivery to the Company of such computations.

(d) The Base Management Fee is subject to adjustment pursuant to and in accordance with the provisions of Section 10(c) of this Agreement.

(e) The Incentive Compensation shall be payable in arrears, in quarterly installments commencing with the quarter in which this Agreement is executed. The Manager shall compute each quarterly installment of the Incentive Compensation within 45 days after the end of the fiscal quarter with respect to which such installment is payable. A copy of the computations made by the Manager to calculate such installment shall thereafter, for informational purposes only and subject in any event to Section 10(b) of this Agreement, promptly be delivered to the Board. The Company shall pay the Manager each installment of the Incentive Compensation in cash within five Business Days after the date of delivery to the Board of such computations.

Section 7. Expenses of the Company.

(a) The Company shall pay all of its costs and expenses and shall reimburse the Manager or its Affiliates for expenses of the Manager and its Affiliates incurred on behalf of the Company, excepting only the Underwriting Fee and those expenses that are specifically the responsibility of the Manager pursuant to this Section 7. Without limiting the generality of the foregoing, it is specifically agreed that the following costs and expenses of the Company shall be paid by the Company and shall not be paid by the Manager or Affiliates of the Manager:

(i) expenses in connection with the issuance and transaction costs incident to the origination, acquisition, disposition and financing of the investments of the Company;

(ii) costs of legal, financial, tax, accounting, servicing, due diligence, consulting, auditing and other similar services rendered for the Company by providers retained by the Manager or, if provided by the Manager's personnel, in amounts that are no greater than those that would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;

(iii) the compensation and expenses of the Company's directors, the cost of liability insurance to indemnify the Company's directors and officers and the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premium;

(iv) costs associated with the establishment and maintenance of any of the Company's credit facilities, other financing arrangements, or other indebtedness of the Company (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Company's securities offerings;

(v) expenses connected with communications to holders of the Company's securities and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including all costs of preparing and filing required reports with the SEC, the costs payable by the Company to any transfer agent and registrar in connection with the listing and/or trading of the Company's securities on any exchange, the fees payable by the Company to any such exchange in connection with its listing, costs of preparing, printing and mailing the Company's annual report to the Company's stockholders, partners or members and proxy materials with respect to any meeting of the Company's stockholders, partners or members;

(vi) costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for the Company;

(vii) expenses incurred by managers, officers, personnel and agents of the Manager for travel on the Company's behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of the Manager in connection with the services provided hereunder, including in connection with any purchase, financing,

refinancing, sale or other disposition of an investment or establishment and maintenance of any of the Company's securitizations or any of the Company's securities offerings;

(viii) costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees and expenses;

(ix) compensation and expenses of the Company's custodian and transfer agent, if any;

(x) the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;

(xi) all federal, state and local taxes and license fees;

(xii) all insurance costs incurred in connection with the operation of the Company's business except for the costs attributable to the insurance that the Manager elects to carry for itself and its personnel;

(xiii) costs and expenses incurred in contracting with third parties;

(xiv) all other costs and expenses relating to the Company's business and investment operations, including the costs and expenses of originating, acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;

(xv) expenses (including the Company's pro rata portion of rent, telephone, printing, mailing, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses) relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, maintained for the Company or the investments of the Company, the Manager or their Affiliates required for the operation of the Company;

(xvi) expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Board to or on account of holders of the Company's securities, including in connection with any dividend reinvestment plan;

(xvii) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Company, or against any trustee, director, partner, member or officer of the Company in his capacity as such for which the Company is required to indemnify such trustee, director, partner, member or officer by any court or governmental agency;

(xviii) expenses connected with calculating Core Earnings (including the cost and expenses of any independent valuation firm); and

(xix) all other expenses actually incurred by the Manager (except as otherwise specified herein) that are reasonably necessary for the performance by the Manager of its duties and functions under this Agreement.

(b) The Company shall have no obligation to reimburse the Manager or its Affiliates for the salaries and other compensation of the Manager's investment professionals who provide services to the Company under this Agreement, except that the Company shall reimburse the Manager or its Affiliates, as applicable, for the Company's allocable share of the compensation, including annual base salary, bonus, any related withholding taxes and employee benefits, paid to (i) the Manager's personnel serving as the Company's chief financial officer based on the percentage of his or her time spent managing the Company's affairs and (ii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of the Manager and its Affiliates who spend all or a portion of their time managing the Company's affairs. The Company's share of such costs shall be based upon the percentage of time devoted by such personnel of the Manager or its Affiliates to the Company's affairs. The Manager shall provide the Company with such written detail as the Company may reasonably request to support the determination of the Company's share of such costs.

(c) The Manager may, at its option, elect not to seek reimbursement for certain expenses during a given quarterly period, which determination shall not be deemed to construe a waiver of reimbursement for similar expenses in future periods.

(d) Costs and expenses incurred by the Manager on behalf of the Company shall be reimbursed monthly to the Manager. The Manager shall prepare a written statement in reasonable detail documenting the costs and expenses of the Company and those incurred by the Manager on behalf of the Company during each month, and shall deliver such written statement to the Company within 30 days after the end of each month. The Company shall pay all amounts payable to the Manager pursuant to this Section 7(d) in cash within five Business Days after the receipt of the written statement without demand, deduction offset or delay. Cost and expense reimbursements to the Manager shall be subject to adjustment at the end of each calendar year in connection with the annual audit of the Company. The provisions of this Section 7 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

(e) Notwithstanding anything contained in this Agreement to the contrary, except to the extent that the payment of additional monies is proven by the Company to have been required as a direct result of the Manager's acts or omissions that result in the right of the Company to terminate this Agreement pursuant to Section 12 of this Agreement, the Manager shall not be required to expend money ("Excess Funds") in connection with any expenses that are required to be paid for or reimbursed by the Company pursuant to this Agreement in excess of that contained in any applicable Company Account (as herein defined) or otherwise made available by the Company to be expended by the Manager hereunder. Failure of the Manager to expend Excess Funds out-of-pocket shall not give rise or be a contributing factor to the right of the Company under Section 10(b) of this Agreement to terminate this Agreement due to the Manager's unsatisfactory performance.

Section 8. Limits of the Manager's Responsibility.

(a) The Manager assumes no responsibility under this Agreement other than to render the services called for hereunder in good faith and shall not be responsible for any action of the Board in following or declining to follow any advice or recommendations of the Manager, including as set forth in the Investment Guidelines. The Manager and its Affiliates, and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to the Manager, will not be liable to the Company, the Board or the Company's stockholders, partners or members for any acts or omissions by any such Person (including errors that may result from ordinary negligence, such as errors in the investment decision making process or in the trade process) performed in accordance with and pursuant to this Agreement, except by reason of acts or omission constituting bad faith, willful misconduct, gross negligence or reckless disregard of their respective duties under this Agreement, as determined by a final non-appealable order of a court of competent jurisdiction. The Company shall, to the full extent lawful, reimburse, indemnify and hold harmless the Manager, its Affiliates, and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to the Manager (each, a " Manager Indemnified Party "), of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees and amounts reasonably paid in settlement) (collectively " Losses ") incurred by the Manager Indemnified Party in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising from any acts or omissions of such Manager Indemnified Party performed in good faith under this Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such Manager Indemnified Party under this Agreement.

(b) The Manager shall, to the full extent lawful, reimburse, indemnify and hold harmless the Company, and the directors, officers, stockholders, partners or members of the Company and each Person, if any, controlling the Company (each, a " Company Indemnified Party " and, together with a Manager Indemnified Party, an " Indemnified Party ") of and from any and all Losses in respect of or arising from (i) any acts or omissions of the Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of the Manager under this Agreement or (ii) any claims by the Manager's employees relating to the terms and conditions of their employment by the Manager.

(c) In case any such claim, suit, action or proceeding (a " Claim ") is brought against any Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto, the Indemnified Party shall give prompt written notice thereof to the indemnifying party; *provided , however* , that the failure of the Indemnified Party to so notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have hereunder, except to the extent such failure actually materially prejudices the indemnifying party. Upon receipt of such notice of Claim (together with such documents and information from such Indemnified Party), the indemnifying party shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to such Indemnified Party. The Indemnified Party will be entitled to participate but, subject to the next sentence, not control, the defense of any such action, with its own counsel and at its own expense. Such Indemnified Party

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may elect to conduct the defense of the Claim, if (i) such Indemnified Party reasonably determines that the conduct of its defense by the indemnifying party could be materially prejudicial to its interests, (ii) the indemnifying party refuses to assume such defense (or fails to give written notice to the Indemnified Party within ten (10) days of receipt of a notice of Claim that the indemnifying party assumes such defense), or (iii) the indemnifying party shall have failed, in such Indemnified Party's reasonable judgment, to defend the Claim in good faith. The indemnifying party may settle any Claim against such Indemnified Party without such Indemnified Party's consent, *provided* , that (i) such settlement is without any Losses whatsoever to such Indemnified Party, (ii) the settlement does not include or require any admission of liability or culpability by such Indemnified Party and (iii) the indemnifying party obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim. The applicable Indemnified Party shall reasonably cooperate with the indemnifying party, at the indemnifying party's sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If such Indemnified Party is entitled pursuant to this Section 8 to elect to defend such Claim by counsel of its own choosing and so elects, then the indemnifying party shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. Except as provided in the immediately preceding sentence, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section 8.

(d) The provisions of this Section 8 shall survive the expiration or earlier termination of this Agreement.

Section 9. No Joint Venture. The Company and the Manager are not partners or joint venturers with each other and nothing herein shall be construed to make them such partners or joint venturers or impose any liability as such on either of them.

Section 10. Term; Renewal; Termination Without Cause.

(a) This Agreement shall become effective on the Closing Date and shall continue in operation, unless terminated in accordance with the terms hereof, until the third anniversary of the Closing Date (the " Initial Term "). After the Initial Term, this Agreement shall be deemed renewed automatically each year for an additional one-year period (an " Automatic Renewal Term ") unless the Company or the Manager elects not to renew this Agreement in accordance with Section 10(b) or Section 10(d), respectively.

(b) Notwithstanding any other provision of this Agreement to the contrary, upon the expiration of the Initial Term or any Automatic Renewal Term and upon 180 days' prior written notice to the Manager (the " Termination Notice "), the Company may, without cause, in connection with the expiration of the Initial Term or the then current Automatic Renewal Term, decline to renew this Agreement (any such nonrenewal, a " Termination Without Cause ") upon the affirmative vote of at least two-thirds of the Independent Directors that (i) there

has been unsatisfactory performance by the Manager that is materially detrimental to the Company taken as a whole or (ii) the Base Management Fee and Incentive Compensation payable to the Manager are not fair, subject to Section 10(c) hereof. In the event of a Termination Without Cause, the

Company shall pay the Manager the Termination Fee before or on the last day of the Initial Term or such Automatic Renewal Term, as the case may be (the " Effective Termination Date ").

(c) Notwithstanding the provisions of subsection (b) of this Section 10, if the reason for nonrenewal specified in the Company's Termination Notice is that 2/3 of the Independent Directors have determined that the Base Management Fee or the Incentive Compensation payable to the Manager is unfair, the Company shall not have the foregoing nonrenewal right in the event the Manager agrees that it will continue to perform its duties hereunder during the Automatic Renewal Term that would commence upon the expiration of the Initial Term or then current Automatic Renewal Term at a fee that at least two thirds of the Independent Directors determine to be fair; *provided , however* , the Manager shall have the right to renegotiate the Base Management Fee and/or the Incentive Compensation, by delivering to the Company, not less than 45 days prior to the pending Effective Termination Date, written notice (a " Notice of Proposal to Negotiate ") of its intention to renegotiate the Base Management Fee and/or the Incentive Compensation. Thereupon, the Company and the Manager shall endeavor to negotiate the Base Management Fee and/or the Incentive Compensation in good faith. If the Company and the Manager agree to a revised Base Management Fee, Incentive Compensation or other compensation structure within 45 days following the Company's receipt of the Notice of Proposal to Negotiate, the Termination Notice from the Company shall be deemed of no force and effect, and this Agreement shall continue in full force and effect on the terms stated herein, except that the Base Management Fee, the Incentive Compensation or other compensation structure shall be the revised Base Management Fee, Incentive Compensation or other compensation structure as then agreed upon by the Company and the Manager. The Company and the Manager agree to execute and deliver an amendment to this Agreement setting forth such revised Base Management Fee, Incentive Compensation, or other compensation structure promptly upon reaching an agreement regarding same. In the event that the Company and the Manager are unable to agree to a revised Base Management Fee, Incentive Compensation, or other compensation structure during such 45 day period, this Agreement shall terminate on the Effective Termination Date and the Company shall be obligated to pay the Manager the Termination Fee upon the Effective Termination Date.

(d) No later than 180 days prior to the expiration of the Initial Term or the then current Automatic Renewal Term, the Manager may deliver written notice to the Company informing it of the Manager's intention to decline to renew this Agreement, whereupon this Agreement shall not be renewed and extended and this Agreement shall terminate effective on the anniversary date of this Agreement next following the delivery of such notice. The Company is not required to pay to the Manager the Termination Fee if the Manager terminates this Agreement pursuant to this Section 10(d).

(e) Except as set forth in this Section 10, a nonrenewal of this Agreement pursuant to this Section 10 shall be without any further liability or obligation of either party to the other, except as provided in Sections 3(b), 5, 7, 8. 10(b), 12(b), 13 and 15(e) hereof.

(f) The Manager shall cooperate with the Company in executing an orderly transition of the management of the Company's consolidated assets to a new manager.

Section 11. Assignments.

(a) *Assignments by the Manager* . This Agreement shall terminate automatically without payment of the Termination Fee in the event of its assignment, in whole or in part, by the Manager, unless such assignment is consented to in writing by the Company with the approval of a majority of the Independent Directors. Any permitted assignment (including to an Affiliate of the Manager as set forth below) shall bind the assignee under this Agreement in the same manner as the Manager is bound, and the Manager shall be liable to the Company for all errors or omissions of the assignee under any such assignment. In addition, the assignee shall execute and deliver to the Company a counterpart of this Agreement naming such assignee as the Manager. Notwithstanding anything to the contrary in this Agreement, the Manager may, without the approval of the Company's Independent Directors, (i) assign this Agreement to an Affiliate of the Manager and (ii) delegate to one or more of its Affiliates the performance of any of its responsibilities hereunder so long as it remains liable for any such Affiliate's performance, in each case so long as assignment or delegation does not require the Company's approval under the Investment Company Act (but if such approval is required, the Company shall not unreasonably withhold, condition or delay its consent). Nothing contained in this Agreement shall preclude any pledge, hypothecation or other transfer of any amounts payable to the Manager under this Agreement.

(b) *Assignments by the Company* . This Agreement shall not be assigned by the Company without the prior written consent of the Manager, except in the case of assignment by the Company to another REIT or other organization which is a successor (by merger, consolidation, purchase of assets, or other transaction) to the Company, in which case such successor organization shall be bound under this Agreement and by the terms of such assignment in the same manner as the Company is bound under this Agreement.

Section 12. Termination for Cause.

(a) The Company may terminate this Agreement effective upon 30 days' prior written notice of termination from the Company to the Manager, without payment of any Termination Fee, if (i) the Manager, its agents or its assignees breaches any material provision of this Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in such 30-day period (or 45 days after written notice of such breach if the Manager takes steps to cure such breach within 30 days of the written notice), (ii) there is a commencement of any proceeding relating to the Manager's Bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or the Manager authorizing or filing a voluntary bankruptcy petition, (iii) any Manager Change of Control occurs that a majority of the Independent Directors determines is materially detrimental to the Company taken as a whole, (iv) the Manager is dissolved, or (v) the Manager commits fraud against the Company, misappropriates or embezzles funds of the Company, or acts, or fails to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under this Agreement; *provided* , *however* , that if any of the actions or omissions described in this clause (v) are caused by an employee, personnel and/or officer of the Manager or one of its Affiliates and the Manager (or such Affiliate) takes all necessary and appropriate action against such person and cures the damage caused by such actions or omissions within 30 days of the Manager's actual knowledge of its

commission or omission, the Company shall not have the right to terminate this Agreement pursuant to this Section 12(a)(v).

(b) The Manager may terminate this Agreement effective upon 60 days' prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period. The Company is required to pay to the Manager the Termination Fee if the termination of this Agreement is made pursuant to this Section 12(b).

(c) The Manager, at its sole option, may terminate this Agreement if the Company becomes required to register as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event, in which case the Company shall not be required to pay the Termination Fee.

Section 13. Actions Upon Termination. From and after the effective date of termination of this Agreement pursuant to Sections 10, 11, or 12 hereof, the Manager shall not be entitled to compensation for further services hereunder, but shall be paid all compensation accruing to the date of termination and, if terminated pursuant to Section 12(b) hereof or not renewed pursuant to Section 10(b) hereof (subject to Section 10 (c) hereof), the Termination Fee. Upon any such termination, the Manager shall forthwith:

(a) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to the Company all money collected and held for the account of the Company pursuant to this Agreement;

(b) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board with respect to the Company; and

(c) deliver to the Board all property and documents of the Company then in the custody of the Manager.

Section 14. Release of Money or Other Property Upon Written Request.

The Manager agrees that any money or other property of the Company held by the Manager shall be held by the Manager as custodian for the Company, and the Manager's records shall be appropriately and clearly marked to reflect the ownership of such money or other property by the Company. Upon the receipt by the Manager of a written request signed by a duly authorized officer of the Company requesting the Manager to release to the Company any money or other property then held by the Manager for the account of the Company under this Agreement, the Manager shall release such money or other property to the Company within a reasonable period of time, but in no event later than 60 days following such request. Upon delivery of such money or other property to the Company, the Manager shall not be liable to the Company, the Board, or the Company's stockholders, partners or members for any acts or omissions by the Company in connection with the money or other property released to the Company in accordance with this Section 14. The Company shall indemnify the Manager and its

Affiliates, and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to the Manager against any and all Losses that arise in connection with the Manager's proper release of such money or other property to the Company in accordance with the terms of this Section 14. Indemnification pursuant to this provision shall be in addition to any right of the Manager and its Affiliates, and any of their members, stockholders, managers, partners, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to the Manager to indemnification under Section 7(d) hereof.

Section 15. Miscellaneous.

(a) *Notices* . All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered against receipt or upon actual receipt of (i) personal delivery, (ii) delivery by reputable overnight courier, (iii) delivery by facsimile transmission with telephonic confirmation or (iv) delivery by registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below (or to such other address as may be hereafter notified by the respective parties hereto in accordance with this Section 15):

The Company:	Ares Commercial Real Estate Corporation Two North LaSalle Street, Suite 925 Chicago, IL 60602 Attention: Chief Financial Officer Fax: (312) 324-5901
with a copy to:	Ares Commercial Real Estate Corporation Two North LaSalle Street, Suite 925 Chicago, IL 60602 Attention: General Counsel Fax: (312) 324-5901
	Proskauer Rose LLP 2049 Century Park East, 32nd Floor Los Angeles, CA 90067 Attention: Monica J. Shilling Fax: (310) 557-2193
The Manager:	Ares Commercial Real Estate Management LLC Two North LaSalle Street, Suite 925 Chicago, IL 60602 Attention: President Fax: (312) 324-5901
with a copy to:	Ares Commercial Real Estate Management LLC 13760 Noel Road, 11th Floor Dallas, Texas 75240

Attention: Timothy B. Smith
Fax: (214) 866-0115

Proskauer Rose LLP
2049 Century Park East, 32nd Floor
Los Angeles, CA 90067
Attention: Monica J. Shilling
Fax: (310) 557-2193

(b) *Binding Nature of Agreement; Successors and Assigns* . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided herein.

(c) *Integration* . This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

(d) *Amendments* . This Agreement, and any terms hereof, may not be amended, supplemented or modified except in an instrument in writing executed by the parties hereto

(e) GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR ANY DISTRICT WITHIN SUCH STATE FOR THE PURPOSE OF ANY ACTION OR JUDGMENT RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND TO THE LAYING OF VENUE IN SUCH COURT.

(f) WAIVER OF JURY TRIAL. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

(g) *No Waiver; Cumulative Remedies* . No failure to exercise and no delay in exercising, on the part of a party hereto, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power

or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereunder shall be effective unless it is in writing and is signed by the party granting such waiver.

(h) *Section Headings* . The section and subsection headings in this Agreement are for convenience in reference only and shall not be deemed to alter or affect the interpretation of any provisions hereof.

(i) *Counterparts* . This Agreement may be executed by the parties to this Agreement on any number of separate counterparts (including by facsimile), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(j) *Severability* . Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has executed this Management Agreement as of the date first written above.

Ares Commercial Real Estate Corporation

By: /s/ Richard S. Davis
Name: Richard S. Davis
Title: Chief Financial Officer

Ares Commercial Real Estate Management LLC

By: /s/ Daniel F. Nguyen
Name: Daniel F. Nguyen
Title: Vice President, Chief Financial Officer and Treasurer

Exhibit A

Investment Guidelines

1. No investment shall be made that would cause the Company to fail to qualify as a REIT under the Code.

2. No investment shall be made that would cause the Company to be regulated as an investment company under the Investment Company Act.

3. The Company's investments shall be in the Target Investments.

4. Until appropriate investments in the Target Investments are identified, the Manager may invest its available cash in interest-bearing, short-term investments, including money market accounts or funds, commercial mortgage backed securities and corporate bonds, subject to the requirements for the Company's qualification as a REIT under the Code.

5. All investments by the Company require the approval of the Investment Committee (other than investments by ACRE Capital LLC ("ACRE Capital"), which shall require the approval of ACRE Capital's investment committee).

6. The Company shall be permitted to acquire EF&A Funding, LLC (d/b/a Alliant Capital LLC and now known as ACRE Capital LLC) as described in the Company's Current Report on Form 8-K dated May 14, 2013 and for the purpose of clarity, ACRE Capital shall be permitted to continue its mortgage banking and servicing business, including making investments in multifamily residential mortgage loans, senior housing and healthcare facilities.

These Investment Guidelines may be amended, restated, modified, supplemented or waived by the Board (which must include a majority of the Independent Directors) and the Investment Committee without the approval of the Company's stockholders.

Exhibit 10.18

FIRST AMENDMENT TO MANAGEMENT AGREEMENT

This First Amendment to Management Agreement (this " Amendment ") is entered into effective as of September 30, 2013 (the " Effective Date ") by and between Ares Commercial Real Estate Corporation, a Maryland corporation (together with its subsidiaries, the " Company ") and Ares Commercial Real Estate Management LLC, a Delaware limited liability company (the " Manager ").

RECITALS

WHEREAS, the Company and the Manager entered into the Management Agreement (the " Management Agreement ") dated as of April 25, 2012; and

WHEREAS, the Company and the Manager desire to amend the Management Agreement in certain respects as more fully set forth below.

AGREEMENT

NOW, THEREFORE, for and consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Manager agree as follows:

1. All capitalized terms not defined in this Amendment shall have the meanings assigned to them in the Management Agreement.

2. Section 7 of the Management Agreement is hereby amended by adding the following subsection to the end of the Section:

> (f) Notwithstanding anything contained in this Agreement to the contrary, the Company and the Manager agree that with respect to Restricted Costs (as hereinafter defined), the Manager will not be entitled to seek reimbursement for Restricted Costs in excess of $1,000,000.00 per quarter for each of the quarterly periods ending on September 30, 2013, December 31, 2013, March 31, 2014 and June 30, 2014. For purposes of this Section 7(f), the term " Restricted Costs " means the costs and expenses described in Sections 7(a)(xv) and 7(b) herein incurred in the ordinary course of the Company's origination business and excludes any costs and expenses that are incurred in connection with transactions outside the Company's ordinary course of business, including without limitation, transactions for the acquisition of a portfolio of investments or for the acquisition of another company or its assets and business.

3. This Amendment and the rights and obligations of the parties under this Amendment shall be governed by shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

4. Except as expressly modified by this Amendment, the Management Agreement shall continue to be and remain in full force and effect in accordance with its terms. Any future reference to the Management Agreement shall be deemed to be a reference to the Management Agreement as modified by this Amendment.

5. This Amendment may be executed by the parties to this Amendment on any number of separate counterparts (including by facsimile), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[*Signature Page Follows*]

IN WITNESS WHEREOF, each of the parties hereto has executed this Amendment as of the Effective Date.

COMPANY :

ARES COMMERCIAL REAL ESTATE CORPORATION

By: /s/ Timothy B. Smith
Name: Timothy B. Smith
Title: Vice President

MANAGER :

ARES COMMERCIAL REAL ESTATE MANAGEMENT LLC

By: /s/ Michael D. Weiner
Name: Michael D. Weiner
Title: Authorized Signatory

Exhibit 21.1

SUBSIDIARIES OF ARES COMMERCIAL REAL ESTATE CORPORATION

Name	Jurisdiction
ACRC Holdings LLC	Delaware
ACRC Lender LLC	Delaware
ACRC Lender C LLC	Delaware
ACRC Lender One LLC	Delaware
ACRC 2013-FL1 Depositor LLC (FKA ACRC Lender II LLC)	Delaware
ACRC Lender U LLC (FKA ACRC Lender III LLC)	Delaware
ACRC Lender W LLC	Delaware
ACRC Lender W TRS LLC	Delaware
ACRC 2013-FL1 Holder LLC	Delaware
ACRC Champions Investor LLC	Delaware
ACRE Commercial Mortgage Trust 2013-FL1	Delaware
ACRE Capital Holdings LLC	Delaware
ACRE Capital LLC	Michigan
ACRC Lender IV LLC	Delaware
ACRC Lender V LLC	Delaware
ACRC Lender VI LLC	Delaware
ACRC Lender VII LLC	Delaware
ACRC Lender VIII LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-188496) of Ares Commercial Real Estate Corporation, and

(2) Registration Statement (Form S-8 No. 333-181077) pertaining to the Ares Commercial Real Estate Corporation 2012 Equity Incentive Plan

of our report dated March 17, 2014, with respect to the consolidated financial statements of Ares Commercial Real Estate Corporation included in this Annual Report (Form 10-K) of Ares Commercial Real Estate Corporation for the year ended December 31, 2013.

/s/ Ernst & Young LLP

Los Angeles, California
March 17, 2014

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Exhibit 31.1

Certification of Chief Executive Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, John B. Bartling, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Commercial Real Estate Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2014

/s/ JOHN B. BARTLING, JR.

John B. Bartling, Jr.
Co-Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31.1

Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

Exhibit 31.2

Certification of Chief Executive Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Todd S. Schuster, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Commercial Real Estate Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2014

/s/ TODD S. SCHUSTER

Todd S. Schuster
Co-Chief Executive Officer and President
(Principal Executive Officer)

QuickLinks

Exhibit 31.2

Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

Exhibit 31.3

Certification of Chief Financial Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Tae Sik Yoon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Commercial Real Estate Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2014

/s/ TAE-SIK YOON

Tae-Sik Yoon
Chief Financial Officer
(Principal Financial Officer)

QuickLinks

Exhibit 31.3

Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350

In connection with the Annual Report on Form 10-K of Ares Commercial Real Estate Corporation (the "Company") for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John B. Bartling, Jr. and Todd S. Schuster, as Co-Chief Executive Officers of the Company, and Tae Sik Yoon, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 17, 2014

/s/ JOHN B. BARTLING, JR.

John B. Bartling, Jr.
Co-Chief Executive Officer
(Principal Executive Officer)

/s/ TODD S. SCHUSTER

Todd S. Schuster
Co-Chief Executive Officer and President
(Principal Executive Officer)

/s/ TAE-SIK YOON

Tae-Sik Yoon
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ares Commercial Real Estate Corporation and will be retained by Ares Commercial Real Estate Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350