

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 2, 2023



ARES COMMERCIAL REAL ESTATE CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland

001-35517

45-3148087

(State or Other Jurisdiction of Incorporation)

(Commission File Number)

(IRS Employer Identification No.)

245 Park Avenue, 42nd Floor, New York, NY 10167
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 750-7300

(Former Name or Former Address, if Changed Since Last Report) N/A

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ACRE	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On August 2, 2023, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2023. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

On August 2, 2023, the registrant made available on its website an earnings presentation with respect to its financial results for the quarter ended June 30, 2023. A copy of the presentation is attached hereto as Exhibit 99.2 and incorporated herein by reference.

The information disclosed under Item 2.02 and Item 7.01, including Exhibit 99.1 and Exhibit 99.2 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number	Description
<u>99.1</u>	Press Release, dated August 2, 2023
<u>99.2</u>	Presentation of Ares Commercial Real Estate Corporation, dated August 2, 2023
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARES COMMERCIAL REAL ESTATE CORPORATION

Date: August 2, 2023

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
SECOND QUARTER 2023 RESULTS**

*Second quarter GAAP net loss of \$2.2 million or \$0.04 per diluted common share and
Distributable Earnings⁽¹⁾ of \$19.0 million or \$0.35 per diluted common share*

- Subsequent to end of second quarter -

Declared third quarter 2023 dividend of \$0.33 per common share

NEW YORK—(BUSINESS WIRE)—Ares Commercial Real Estate Corporation (the “Company”) (NYSE:ACRE), a specialty finance company engaged in originating and investing in commercial real estate assets, reported generally accepted accounting principles (“GAAP”) net loss of \$2.2 million or \$0.04 per diluted common share and Distributable Earnings⁽¹⁾ of \$19.0 million or \$0.35 per diluted common share for the second quarter of 2023.

“Our second quarter 2023 results demonstrate that our portfolio continues to benefit from higher interest, with our \$0.35 of Distributable Earnings per diluted common share fully covering our regular and supplemental dividends for the quarter,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “Going forward, we believe that repurchasing our common shares at meaningful discounts to book value and new loan originations will be better uses of capital than the previously distributed supplemental dividends. Given our strong liquidity position, during the second quarter, we bought back approximately 1.0% of our outstanding common shares at an average price of \$8.58 per common share.”

“We continued to operate with a healthy balance sheet and significant available liquidity throughout the second quarter,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation. “With our non-spread based mark to market financing and strong capital position with more than \$140 million in cash and \$75 million of available financing proceeds as of June 30, 2023, we believe our balance sheet positions us to maximize credit outcomes on our higher risk rated assets and make new opportunistic investments with compelling risk adjusted returns.”

(1) Distributable Earnings is a non-GAAP financial measure. Refer to Schedule I for the definition and reconciliation of Distributable Earnings.

COMMON STOCK DIVIDEND

On May 2, 2023, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share for the second quarter of 2023. The second quarter 2023 dividend and supplemental cash dividend were paid on July 18, 2023 to common stockholders of record as of June 30, 2023.

On August 2, 2023, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share for the third quarter of 2023. The third quarter 2023 dividend will be payable on October 17, 2023 to common stockholders of record as of September 29, 2023.

ADDITIONAL INFORMATION

The Company issued a presentation of its second quarter 2023 results, which can be viewed at www.arescre.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled “Second Quarter 2023 Earnings Presentation.” The Company also filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 with the U.S. Securities and Exchange Commission on August 2, 2023.

CONFERENCE CALL AND WEBCAST INFORMATION

On Wednesday, August 2, 2023, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its second quarter 2023 financial results.

All interested parties are invited to participate via telephone or the live webcast, which will be hosted on a webcast link located on the Home page of the Investor Resources section of the Company’s website at www.arescre.com. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing +1 (877) 407-0312. International callers can access the conference call by dialing +1 (201) 389-0899. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through September 2, 2023 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (877) 660-6853 and to international callers by dialing +1 201 612-7415. For all replays, please reference access code 13738843. An archived replay will also be available through September 2, 2023 on a webcast link located on the Home page of the Investor Resources section of the Company’s website.

ABOUT ARES COMMERCIAL REAL ESTATE CORPORATION

Ares Commercial Real Estate Corporation (the “Company”) is a specialty finance company primarily engaged in originating and investing in commercial real estate loans and related investments. Through its national direct origination platform, the Company provides a broad offering of flexible and reliable financing solutions for commercial real estate owners and operators. The Company originates senior mortgage loans, as well as subordinate financings, mezzanine debt and preferred equity, with an emphasis on providing value added financing on a variety of properties located in liquid markets across the United States. Ares Commercial Real Estate Corporation elected and qualified to be taxed as a real estate investment trust and is externally managed by a subsidiary of Ares Management Corporation. For more information, please visit www.arescre.com. The contents of such website are not, and should not be deemed to be, incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

Statements included herein or on the webcast / conference call may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which relate to future events or the Company’s future performance or financial condition. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including the return or impact of current and future investments, rates of prepayments on the Company’s mortgage loans and the effect on the Company’s business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and securities, ACREM’s ability to locate suitable investments for the Company, monitor, service and administer the Company’s investments and execute its investment strategy, the Company’s ability to obtain, maintain, repay or refinance financing arrangements, including securitizations, global economic trends and economic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations and challenges in the supply chain, changes in interest rates, credit spreads and the market value of the Company’s investments, the demand for commercial real estate loans, and the risks described from time to time in the Company’s filings with the Securities and Exchange Commission (the “SEC”), including, but

not limited to, the risk factors described in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K, filed with the SEC on February 15, 2023 and the risk factors described in Part II, Item 1A. Risk Factors in the Company's subsequent Quarterly Report on Form 10-Q, filed with the SEC on May 2, 2023. Any forward-looking statement, including any contained herein, speaks only as of the time of this press release and Ares Commercial Real Estate Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call. Projections and forward-looking statements are based on management's good faith and reasonable assumptions, including the assumptions described herein.

INVESTOR RELATIONS CONTACTS

Ares Commercial Real Estate Corporation
Carl Drake or John Stilmar
(888) 818-5298
iracre@aresmgmt.com

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of	
	June 30, 2023	December 31, 2022
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 142,603	\$ 141,278
Loans held for investment (\$886,343 and \$887,662 related to consolidated VIEs, respectively)	2,228,100	2,264,008
Current expected credit loss reserve	(108,114)	(65,969)
Loans held for investment, net of current expected credit loss reserve	2,119,986	2,198,039
Investment in available-for-sale debt securities, at fair value	27,970	27,936
Other assets (\$4,207 and \$2,980 of interest receivable related to consolidated VIEs, respectively; \$87,950 and \$129,495 of other receivables related to consolidated VIEs, respectively)	109,452	155,749
Total assets	<u>\$ 2,400,011</u>	<u>\$ 2,523,002</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 681,257	\$ 705,231
Notes payable	104,559	104,460
Secured term loan	149,295	149,200
Collateralized loan obligation securitization debt (consolidated VIEs)	735,093	777,675
Due to affiliate	4,806	5,580
Dividends payable	19,180	19,347
Other liabilities (\$1,952 and \$1,913 of interest payable related to consolidated VIEs, respectively)	14,630	13,969
Total liabilities	<u>1,708,820</u>	<u>1,775,462</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2023 and December 31, 2022 and 54,136,273 and 54,443,983 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	532	537
Additional paid-in capital	810,161	812,788
Accumulated other comprehensive income	987	7,541
Accumulated earnings (deficit)	(120,489)	(73,326)
Total stockholders' equity	<u>691,191</u>	<u>747,540</u>
Total liabilities and stockholders' equity	<u>\$ 2,400,011</u>	<u>\$ 2,523,002</u>

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Interest income	\$ 51,941	\$ 38,621	\$ 101,441	\$ 71,986
Interest expense	(26,951)	(13,475)	(49,950)	(25,488)
Net interest margin	24,990	25,146	51,491	46,498
Revenue from real estate owned	—	—	—	2,672
Total revenue	24,990	25,146	51,491	49,170
Expenses:				
Management and incentive fees to affiliate	3,334	3,766	6,344	6,740
Professional fees	626	1,100	1,397	1,878
General and administrative expenses	2,038	1,587	3,723	3,200
General and administrative expenses reimbursed to affiliate	1,109	796	1,842	1,631
Expenses from real estate owned	—	—	—	4,309
Total expenses	7,107	7,249	13,306	17,758
Provision for current expected credit losses	20,127	7,768	41,146	7,174
Realized losses on loans sold	—	—	5,613	—
Gain on sale of real estate owned	—	—	—	2,197
Income (loss) before income taxes	(2,244)	10,129	(8,574)	26,435
Income tax expense (benefit), including excise tax	(46)	98	64	204
Net income (loss) attributable to common stockholders	<u>\$ (2,198)</u>	<u>\$ 10,031</u>	<u>\$ (8,638)</u>	<u>\$ 26,231</u>
Earnings (loss) per common share:				
Basic earnings (loss) per common share	<u>\$ (0.04)</u>	<u>\$ 0.20</u>	<u>\$ (0.16)</u>	<u>\$ 0.54</u>
Diluted earnings (loss) per common share	<u>\$ (0.04)</u>	<u>\$ 0.20</u>	<u>\$ (0.16)</u>	<u>\$ 0.53</u>
Weighted average number of common shares outstanding:				
Basic weighted average shares of common stock outstanding	54,347,204	50,562,559	54,468,752	48,892,754
Diluted weighted average shares of common stock outstanding	54,347,204	50,999,505	54,468,752	49,336,267
Dividends declared per share of common stock⁽¹⁾	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>

(1) There is no assurance dividends will continue at these levels or at all.

SCHEDULE I

Reconciliation of Net Income to Non-GAAP Distributable Earnings

Distributable Earnings is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings provides useful information to investors regarding the Company's ability to pay dividends, which is one of the principal reasons the Company believes investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings is defined as net income (loss) attributable to common stockholders computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager (Ares Commercial Real Estate Management LLC), 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), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings. Distributable Earnings is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager.

Reconciliation of net income (loss) attributable to common stockholders, the most directly comparable GAAP financial measure, to Distributable Earnings is set forth in the table below for the three months and twelve months ended June 30, 2023 (\$ in thousands):

	For the three months ended June 30, 2023		For the twelve months ended June 30, 2023	
Net income (loss) attributable to common stockholders	\$	(2,198)	\$	(5,084)
Stock-based compensation		1,004		3,376
Incentive fees to affiliate		334		2,452
Provision for current expected credit losses		20,127		80,033
Realized gain on termination of interest rate cap derivative ⁽¹⁾		(266)		(1,499)
Distributable Earnings	\$	19,001	\$	79,278
Net income (loss) attributable to common stockholders	\$	(0.04)	\$	(0.09)
Stock-based compensation		0.02		0.06
Incentive fees to affiliate		0.01		0.05
Provision for current expected credit losses		0.37		1.47
Realized gain on termination of interest rate cap derivative ⁽¹⁾		—		(0.03)
Basic Distributable Earnings per common share	\$	0.35	\$	1.46
Net income (loss) attributable to common stockholders	\$	(0.04)	\$	(0.09)
Stock-based compensation		0.02		0.06
Incentive fees to affiliate		0.01		0.04
Provision for current expected credit losses		0.37		1.45
Realized gain on termination of interest rate cap derivative ⁽¹⁾		—		(0.03)
Diluted Distributable Earnings per common share	\$	0.35	\$	1.44

(1) For the three and twelve months ended June 30, 2023, Distributable Earnings includes a \$0.3 million and \$1.5 million, respectively, adjustment to reverse the impact of the \$2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income.



Second Quarter 2023 Earnings Presentation

Disclaimer

Statements included herein may 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, which may relate to future events or the future performance or financial condition of Ares Commercial Real Estate Corporation (“ACRE” or, the “Company”), Ares Commercial Real Estate Management LLC (“ACREM”), a subsidiary of Ares Management Corporation (“Ares Corp.”), Ares Corp., certain of their subsidiaries and certain funds and accounts managed by ACREM, Ares Corp. and/or their subsidiaries, including, without limitation, ACRE. These statements are not guarantees of future results or financial condition and involve a number of risks and uncertainties. Actual results could differ materially from those in the forward-looking statements as a result of a number of factors, including the return or impact of current and future investments, rates of prepayments on the Company’s mortgage loans and the effect on the Company’s business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and securities, ACREM’s ability to locate suitable investments for the Company, monitor, service, and administer the Company’s investments and execute its investment strategy, the Company’s ability to obtain, maintain, repay or refinance financing arrangements, including securitizations, global economic trends and economic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations and challenges in the supply chain, changes in interest rates, credit spreads and the market value of the Company’s investments, the demand for commercial real estate loans, and other risks described from time to time in ACRE’s filings within the Securities and Exchange Commission (“SEC”). Any forward-looking statement, including any contained herein, speaks only as of the time of this release and none of ACRE, ARES Corp. nor ACREM undertakes any duty to update any forward-looking statements made herein. Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws.

Ares Corp. is the parent to several registered investment advisers, including Ares Management LLC (“Ares Management”) and ACREM. Collectively, Ares Corp., its affiliated entities, and all underlying subsidiary entities shall be referred to as “Ares” unless specifically noted otherwise. For a discussion regarding potential risks on ACRE, see Part I, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part I, Item 1A. “Risk Factors” in ACRE’s Annual Report on Form 10-K for the year ended December 31, 2022 and Part II, Item 1A. “Risk Factors” in subsequent ACRE’s Quarterly Reports on Form 10-Q.

The information contained in this presentation is summary information that is intended to be considered in the context of ACRE’s SEC filings and other public announcements that ACRE, ACREM or Ares may make, by press release or otherwise, from time to time. ACRE, ACREM and Ares undertake no duty or obligation to publicly update or revise the forward-looking statements or other information contained in this presentation. These materials contain information about ACRE, ACREM and Ares, and certain of their respective personnel and affiliates, information about their respective historical performance and general information about the market. You should not view information related to the past performance of ACRE, ACREM or Ares or information about the market, as indicative of future results, the achievement of which cannot be assured.

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In addition, in light of the various investment strategies of such other investment partnerships, funds and/or pools, it is noted that such other investment programs may have portfolio investments inconsistent with those of the investment vehicle or strategy discussed herein.

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For the definitions of certain terms used in this presentation, please refer to the “Glossary” slide in the appendix.

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Company Highlights

Loan Portfolio	\$2.3 billion outstanding principal balance	98% Senior Loans	Earnings and Dividends	\$0.35 Q2 Distributable Earnings ⁽²⁾ per diluted common share	
	\$112.5 million CECL reserve equates to ~5% of loans held for investment ⁽¹⁾ , with \$47.9 million, or 43% of the total reserve, consisting of specific CECL reserves on two risk rated 5 loans			Declared Q3 2023 regular dividend of \$0.33	
Balance Sheet Positioning	1.9x Net Debt to Equity Ratio ⁽³⁾	\$217.6 million of available capital ⁽⁴⁾	Ares Sponsorship	\$377.6 billion ARES AUM	\$49.2 billion ARES real estate platform AUM
	No spread based mark to market provisions			Benefits from market intelligence and deep relationships	

As of June 30, 2023, unless otherwise noted. Past performance is not indicative of future results. There is no guarantee or assurance investment objectives will be achieved. Diversification does not ensure profit or protect against market loss.

- Based on outstanding principal balance.
- Distributable Earnings is a non-GAAP financial measure. See page 18 for Distributable Earnings definition and page 17 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.
- Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.
- As of June 30, 2023, includes \$142.6 million of unrestricted cash and \$75.0 million of available financing proceeds under the secured revolving funding agreement with City National Bank ("CNB Facility").

Summary of Q2 2023 Results and Activity

Earnings Results	<ul style="list-style-type: none"> GAAP net loss of \$0.04 per diluted common share⁽¹⁾ Distributable Earnings of \$0.35 per diluted common share⁽²⁾ Book value per common share of \$12.77, or \$14.84 per common share excluding the CECL reserve⁽³⁾
Portfolio Activity	<ul style="list-style-type: none"> Closed \$49.0 million in new loan commitments, with \$80.5 million in outstanding principal funded⁽⁴⁾ \$51.5 million in loan repayments and sales, including the sale of a \$27.2 million defaulted senior office loan at a net price equal to the loan amount
Capital Management	<ul style="list-style-type: none"> Available capital of \$217.6 million⁽⁵⁾ Moderate leverage with net debt to equity ratio of 1.9x⁽⁶⁾ Exercised a 12-month extension option on the MetLife Facility Repurchased 535,965 shares of common stock (represents approximately 1% of outstanding common shares) for approximately \$4.6 million, or an average purchase price of approximately \$8.58 per share, including expenses paid
Recent Developments	<ul style="list-style-type: none"> On August 2, 2023, declared a cash dividend for the third quarter 2023 of \$0.33 per common share On July 27, 2023, amended the Morgan Stanley Facility to extend the initial maturity date to July 16, 2025

Note: As of June 30, 2023, unless otherwise noted.

1. Inclusive of \$0.37 provision per diluted common share for Q2 2023 for CECL.

2. Distributable Earnings is a non-GAAP financial measure. See page 18 for Distributable Earnings definition and page 17 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.

3. Book value per common share excluding the CECL reserve is calculated as (i) total stockholders' equity of \$691.2 million plus CECL reserve of \$112.5 million divided by (ii) total outstanding shares of 54,136,273 as of June 30, 2023.

4. Outstanding principal funded includes fundings on previously closed loans.

5. As of June 30, 2023, includes \$142.6 million of unrestricted cash and \$75.0 million of available financing proceeds under the secured revolving funding agreement with City National Bank ("CNB Facility").

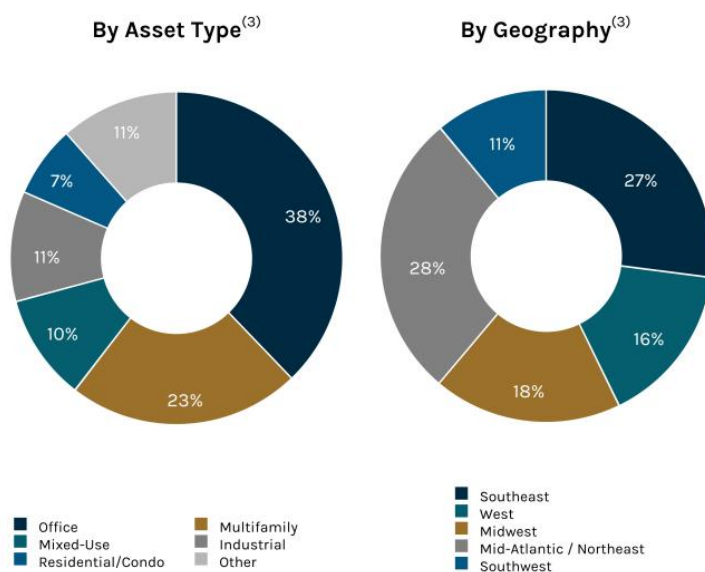
6. Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.

Loan Portfolio Positioning and Performance

Loans Held for Investment Portfolio Metrics⁽¹⁾

Outstanding principal balance ⁽²⁾	\$2.3 billion
Number of loans	53
Percentage of senior loans ⁽⁴⁾	98%
Weighted average unleveraged effective yield ⁽⁵⁾	9.5%

Diverse Loans Held for Investment Portfolio



Note: As of June 30, 2023, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

1. Unless otherwise noted, includes only loans held for investment and excludes \$28.0 million of AAA rated CRE debt securities purchased in 2022.

2. Weighted average unpaid principal balance of loan portfolio of \$2.246 billion during Q2 2023.

3. Based on outstanding principal balance of loans held for investment.

4. Based on outstanding principal balance.

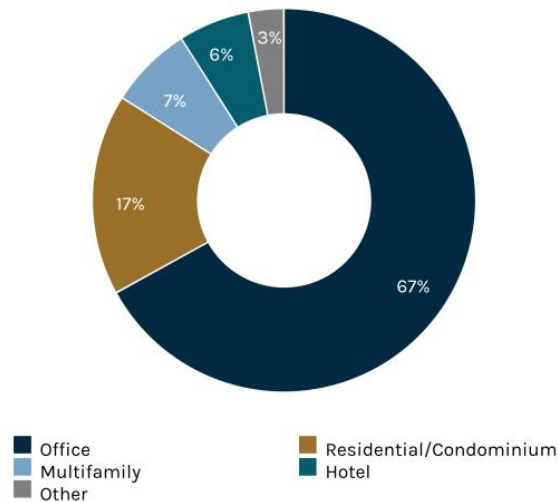
5. Excludes impact of five loans on non-accrual status. Including the five non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 8.7%.

Current Expected Credit Losses

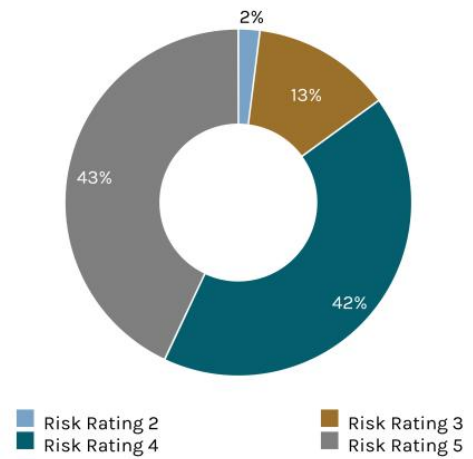
(\$ in thousands)		
Balance at 3/31/2023	\$	92,327
Provision for CECL		20,127
Balance at 6/30/2023	\$	112,454

- Increase in total CECL reserve of \$20.1 million
- As of June 30, 2023, the total CECL reserve includes specific reserves of \$47.9 million, including \$42.1 million on a senior office loan and \$5.9 million on a senior hotel loan

Current Expected Credit Loss Reserve
by Property Type



Current Expected Credit Loss Reserve
by Risk Rating



Q2 2023 Loan Activity

New Investments

Total new investments ⁽¹⁾	\$49.0 million
Percent senior	100%
Unlevered effective yield	8.2%

Investment Composition⁽²⁾

Industrial

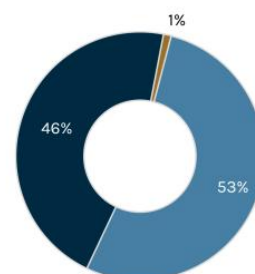


Sales and Repayments

Total sales and repayments ⁽³⁾	\$51.5 million
% of portfolio	2%

Sales and Repayments by Property Type

Student Housing
Office
Industrial



Note: As of June 30, 2023, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

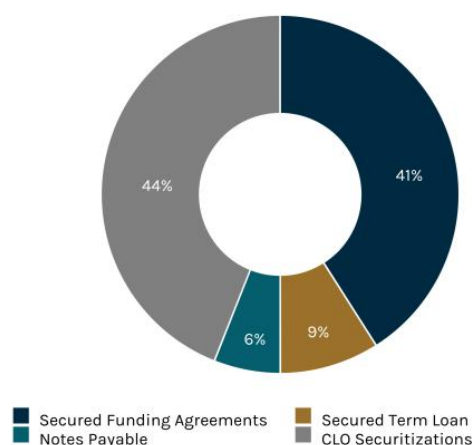
1. Based on commitment amount.
2. Excludes \$33.5 million in funding on previously closed loans.
3. Includes \$23.6 million in full and \$0.8 million in partial loan repayments, respectively, as well as \$27.2 million from a loan sale.

Well-Positioned Balance Sheet

Financing Metrics

Total capacity across all financings ⁽¹⁾	\$2.3 billion
Sources of financing ⁽²⁾	8
Outstanding principal borrowings	\$1.7 billion
Percentage of non-recourse financing ⁽³⁾	44%
Net debt to equity ratio ⁽⁴⁾	1.9x
Spread based mark to market provisions ⁽⁵⁾	0%

Diversified Sources of Financing⁽³⁾



Note: As of June 30, 2023, unless otherwise noted. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of \$1.681 billion across all financings for Q2 2023.

2. Excludes Notes Payable. See page 10 for additional details on sources of financing.

3. Based on outstanding principal balance.

4. Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.

5. Secured funding agreements are not subject to mark-to-market provisions based on changes in market borrowing spreads but are subject to remargining provisions based on the credit performance of our loans.

Full Dividend Coverage from Distributable Earnings⁽¹⁾

» ACRE has generated cumulative Distributable Earnings in excess of our regular and supplemental dividends declared⁽²⁾⁽³⁾



Note: As of June 30, 2023, unless otherwise stated. There can be no assurance that dividends will continue to be paid at historic levels or at all. Past performance is not indicative of future results.

1. Distributable Earnings is a non-GAAP financial measure. See page 18 for Distributable Earnings definition and page 17 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.
2. The regular dividend is a quarterly cash dividend not specified as a supplemental dividend. Beginning in 2021 through Q2 2023, ACRE paid a supplemental quarterly dividend of \$0.02 per share.
3. 2017 reflects the first full year subsequent to the sale of ACRE Capital, ACRE's legacy GSE-oriented Mortgage Banking business.

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Appendix

Additional Details on Sources of Funding

(\$ in millions)					
Financing Sources	Total Commitments	Outstanding Principal	Pricing Range	Mark-to-Market	
Secured Funding Agreements					
Wells Fargo Facility	\$450.0	\$241.9	SOFR+1.50 to 3.75%	Credit	
Citibank Facility	325.0	236.2	SOFR+1.50 to 2.10%	Credit	
CNB Facility	75.0	—	SOFR+2.65%	Credit	
Morgan Stanley Facility	250.0	203.2	SOFR+1.60 to 3.10%	Credit	
MetLife Facility	180.0	—	SOFR+2.50%	Credit	
Subtotal	\$1,280.0	\$681.3			
Asset Level Financing					
Notes Payable	\$105.0	\$105.0	SOFR + 2.00%	Credit	
Capital Markets					
Secured Term Loan	\$150.0	\$150.0	4.50% (Fixed)	Credit	
2017-FL3 Securitization	445.6	445.6	LIBOR+ 1.70%	None	
2021-FL4 Securitization	290.5	290.5	SOFR+ 1.56%	None	
Subtotal	\$886.1	\$886.1			
Total Debt	\$2,271.1	\$1,672.4			

Note: As of June 30, 2023.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Office Loans:											
1	Senior	IL	Nov 2020	\$156.8	\$156.8	\$154.0	(2)	1.5%	7.4% ⁽²⁾	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	122.3	122.2	122.0	S+3.75%	1.6%	9.1%	Jan 2024	P/I
3	Senior	AZ	Sep 2021	115.7	79.1	78.7	S+3.61%	0.1%	9.2%	Oct 2024	I/O
4	Senior	NY	Jul 2021	81.0	72.2	71.7	S+3.95%	—%	9.5%	Aug 2025	I/O
5	Senior	NC	Mar 2019	68.8	68.8	68.7	S+4.35%	2.3%	9.8%	Mar 2024	P/I
6	Senior	NC	Aug 2021	85.0	68.0	67.7	S+3.65%	0.2%	9.2%	Aug 2024	I/O
7	Senior	IL	May 2018	58.9	56.9	52.5	S+3.95%	2.0%	—% ⁽³⁾	Dec 2023	I/O
8	Senior	IL	Dec 2022	56.0	56.0	55.6	S+4.25%	3.0%	9.9%	Jan 2025	I/O
9	Senior	GA	Nov 2019	48.6	48.6	48.5	S+3.15%	1.9%	8.6%	Dec 2023	P/I
10	Senior	MA	Apr 2022	82.2	38.1	37.5	S+3.75%	—%	9.5%	Apr 2025	I/O
11	Senior	CA	Oct 2019	33.2	33.2	31.9	S+3.45%	1.9%	—% ⁽³⁾	Nov 2023	I/O
12	Senior	CA	Nov 2018	22.9	22.9	22.8	S+3.50%	2.3%	8.9%	Nov 2023	I/O
13	Subordinated	NJ	Mar 2016	18.5	18.5	16.8	12.00%	—%	—% ⁽³⁾	Jan 2026	I/O
Total Office				\$949.9	\$841.3	\$828.4					

Note: As of June 30, 2023.

1. I/O = interest only, P/I = principal and interest.
2. The Illinois loan is structured as both a senior and mezzanine loan with the Company holding both positions. The senior position has a per annum interest rate of S + 2.25% and the mezzanine position has a fixed per annum interest rate of 10.00%. The mezzanine position of this loan, which had an outstanding principal balance of \$42.8 million as of June 30, 2023, was on non-accrual status as of June 30, 2023 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
3. Loan was on non-accrual status as of June 30, 2023 and the Unleveraged Effective Yield is not applicable.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Multifamily Loans:											
14	Senior	NY	May 2022	\$133.0	\$132.2	\$131.1	S+3.90%	0.2%	9.5%	Jun 2025	I/O
15	Senior	TX	Jun 2022	100.0	100.0	99.3	S+3.50%	1.5%	9.5%	Jul 2025	I/O
16	Senior	TX	Nov 2021	68.8	68.2	67.9	S+2.95%	—%	8.5%	Dec 2024	I/O
17	Senior ⁽²⁾	SC	Dec 2021	67.0	67.0	66.9	S+3.00%	—%	8.4%	Nov 2024	I/O
18	Senior	CA	Nov 2021	31.7	31.7	31.5	S+3.00%	—%	8.4%	Dec 2025	I/O
19	Senior	PA	Dec 2018	29.2	29.2	29.2	S+4.00%	1.3%	9.4%	Dec 2023	P/I
20	Senior	WA	Dec 2021	23.1	23.1	23.0	S+3.00%	—%	8.3%	Nov 2025	I/O
21	Senior	TX	Oct 2021	23.1	22.6	22.4	S+2.60%	—%	8.1%	Oct 2024	I/O
22	Subordinated	SC	Aug 2022	20.6	20.6	20.5	S+9.53%	1.5%	15.1%	Sep 2025	I/O
23	Senior	WA	Feb 2020	18.8	18.7	18.7	S+3.10%	1.6%	8.8%	Sep 2023	I/O
Total Multifamily				\$515.3	\$513.3	\$510.5					
Mixed-Use Loans:											
24	Senior	FL	Feb 2019	\$82.7	\$82.7	\$82.7	S+4.25%	2.5%	9.5%	Feb 2023 ⁽³⁾	I/O
25	Senior	NY	Jul 2021	78.3	75.7	75.4	S+3.75%	—%	9.3%	Jul 2024	I/O
26	Senior	CA	Feb 2020	37.9	37.9	37.9	S+4.10%	1.7%	9.3%	Mar 2023 ⁽⁴⁾	I/O
27	Senior	TX	Sep 2019	35.3	35.3	35.2	S+3.85%	0.7%	9.3%	Sep 2024	I/O
Total Mixed-Use				\$234.2	\$231.6	\$231.2					

Note: As of June 30, 2023.

1. I/O = interest only, P/I = principal and interest.

2. Loan commitment is allocated between a multifamily property (\$60.5 million) and an office property (\$6.5 million).

3. As of June 30, 2023, the senior Florida loan, which is collateralized by a mixed-use property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the February 2023 maturity date.

4. As of June 30, 2023, the senior California loan, which is collateralized by a mixed-use property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the March 2023 maturity date.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Industrial Loans:											
28	Senior	IL	May 2021	\$100.7	\$100.1	\$99.8	S+4.65%	0.1%	10.2%	May 2024	I/O
29	Senior	MA	Jun 2023	49.0	47.0	46.8	S+2.90%	—%	8.2%	Jun 2028	I/O
30	Senior	NJ	Jun 2021	28.3	27.8	27.7	S+3.85%	0.2%	9.6%	May 2024	I/O
31	Senior	FL	Dec 2021	25.5	25.5	25.4	S+3.00%	—%	8.4%	Dec 2025	I/O
32	Senior	CA	Aug 2019	19.6	19.6	19.5	S+3.85%	2.0%	9.3%	Sep 2024	I/O
33	Senior	TX	Nov 2021	10.0	10.0	9.9	S+5.35%	0.2%	10.9%	Dec 2024	I/O
34	Senior	TN	Oct 2021	6.4	6.4	6.4	S+5.60%	0.2%	11.1%	Nov 2024	I/O
35	Senior	FL	Feb 2022	4.0	4.0	4.0	S+5.75%	0.3%	11.3%	Mar 2025	I/O
Total Industrial				\$243.5	\$240.4	\$239.5					
Residential/Condominium Loans:											
36	Senior	NY	Mar 2022	\$91.1	\$81.4	\$81.2	S+8.95%	0.4%	15.9%	Oct 2023 ⁽²⁾	I/O
37	Senior	FL	Jul 2021	75.0	75.0	75.0	S+5.35%	—%	11.0%	Jul 2024	I/O
Total Residential/Condominium				\$166.1	\$156.4	\$156.2					
Hotel Loans:											
38	Senior	CA	Mar 2022	\$60.8	\$42.0	\$41.6	S+4.20%	—%	9.9%	Mar 2025	I/O
39	Senior	NY	Mar 2022	55.7	39.5	39.0	S+4.40%	0.1%	9.9%	Mar 2026	I/O
40	Senior ⁽³⁾	IL	Apr 2018	35.0	35.0	29.6	S+4.00%	0.3%	—% ⁽⁴⁾	May 2024	I/O
Total Hotel				\$151.5	\$116.5	\$110.2					

Note: As of June 30, 2023.

1. I/O = interest only, P/I = principal and interest.
2. In June 2023, the Company and the borrower entered into a modification agreement to, among other things, modify certain construction milestones. Upon the closing of the modification agreement, the senior New York loan was no longer in default.
3. The senior Illinois loan is currently in default due to the failure of the borrower to make certain contractual reserve deposits by the May 2022 due date and due to the borrower not making its contractual interest payments due subsequent to the January 2023 interest payment date.
4. Loan was on non-accrual status as of June 30, 2023 and the Unleveraged Effective Yield is not applicable.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Self Storage Loans:											
41	Senior	PA	Mar 2022	\$18.2	\$18.2	\$18.1	S+3.00%	1.0%	8.4%	Dec 2025	I/O
42	Senior	NJ	Aug 2022	17.6	17.6	17.4	S+2.90%	1.0%	8.8%	Apr 2025	I/O
43	Senior	WA	Aug 2022	11.5	11.5	11.4	S+2.90%	1.0%	8.8%	Mar 2025	I/O
44	Senior	MA	Mar 2022	8.5	8.5	8.5	S+3.00%	0.8%	8.3%	Dec 2024	I/O
45	Senior	TX	Apr 2022	8.0	8.0	8.0	S+3.00%	0.8%	8.4%	Aug 2024	I/O
46	Senior	MA	Apr 2022	7.7	7.7	7.7	S+3.00%	0.8%	8.3%	Nov 2024	I/O
47	Senior	MA	Apr 2022	6.7	6.7	6.7	S+3.00%	0.8%	8.4%	Oct 2024	I/O
48	Senior	MO	Jan 2021	6.5	6.5	6.5	S+3.10%	1.2%	8.4%	Dec 2023	I/O
49	Senior	NJ	Mar 2022	5.9	5.9	5.9	S+3.00%	0.8%	8.6%	Jul 2024	I/O
50	Senior	IL	Jan 2021	5.6	5.6	5.6	S+3.10%	0.9%	8.6%	Dec 2023	I/O
51	Senior	TX	Mar 2022	2.9	2.9	2.9	S+3.00%	0.8%	8.3%	Sep 2024	I/O
Total Self Storage				\$99.1	\$99.1	\$98.7					
Student Housing Loans:											
52	Senior	CA	Jun 2017	\$34.0	\$34.0	\$34.0	S+3.95%	0.5%	9.1%	Jan 2024	I/O
53	Senior	AL	Apr 2021	19.5	19.5	19.4	S+3.95%	0.1%	9.5%	May 2024	I/O
Total Student Housing				\$53.5	\$53.5	\$53.4					
Loan Portfolio Total/Weighted Average				\$2,413.1	\$2,252.1	\$2,228.1	1.1% ⁽²⁾		8.7%		

Note: As of June 30, 2023.

1. I/O = Interest only, P/I = principal and interest.

2. The weighted average floor is calculated based on loans with SOFR floors.

Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	6/30/2023	12/31/2022
ASSETS		
Cash and cash equivalents	\$ 142,603	\$ 141,278
Loans held for investment (\$886,343 and \$887,662 related to consolidated VIEs, respectively)	2,228,100	2,264,008
Current expected credit loss reserve	(108,114)	(65,969)
Loans held for investment, net of current expected credit loss reserve	2,119,986	2,198,039
Investment in available-for-sale debt securities, at fair value	27,970	27,936
Other assets (\$4,207 and \$2,980 of interest receivable related to consolidated VIEs, respectively; \$87,950 and \$129,495 of other receivables related to consolidated VIEs, respectively)	109,452	155,749
Total assets	\$ 2,400,011	\$ 2,523,002
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 681,257	\$ 705,231
Notes payable	104,559	104,460
Secured term loan	149,295	149,200
Collateralized loan obligation securitization debt (consolidated VIEs)	735,093	777,675
Due to affiliate	4,806	5,580
Dividends payable	19,180	19,347
Other liabilities (\$1,952 and \$1,913 of interest payable related to consolidated VIEs, respectively)	14,630	13,969
Total liabilities	1,708,820	1,775,462
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2023 and December 31, 2022 and 54,136,273 and 54,443,983 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	532	537
Additional paid-in capital	810,161	812,788
Accumulated other comprehensive income	987	7,541
Accumulated earnings (deficit)	(120,489)	(73,326)
Total stockholders' equity	691,191	747,540
Total liabilities and stockholders' equity	\$ 2,400,011	\$ 2,523,002

Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
Revenue:					
Interest income	\$ 51,941	\$ 49,500	\$ 52,552	\$ 45,633	\$ 38,621
Interest expense	(26,951)	(22,999)	(22,144)	(18,362)	(13,475)
Net interest margin	24,990	26,501	30,408	27,271	25,146
Expenses:					
Management and incentive fees to affiliate	3,334	3,010	4,290	3,868	3,766
Professional fees	626	771	630	842	1,100
General and administrative expenses	2,038	1,685	1,777	1,416	1,587
General and administrative expenses reimbursed to affiliate	1,109	732	1,136	1,011	796
Total expenses	7,107	6,198	7,833	7,137	7,249
Provision for current expected credit losses	20,127	21,019	19,402	19,485	7,768
Realized losses on loans sold	—	5,613	—	—	—
Income (loss) before income taxes	(2,244)	(6,329)	3,173	649	10,129
Income tax expense (benefit), including excise tax	(46)	110	264	5	98
Net income (loss) attributable to common stockholders	\$ (2,198)	\$ (6,439)	\$ 2,909	\$ 644	\$ 10,031
Earnings per common share:					
Basic earnings (loss) per common share	\$ (0.04)	\$ (0.12)	\$ 0.05	\$ 0.01	\$ 0.20
Diluted earnings (loss) per common share	\$ (0.04)	\$ (0.12)	\$ 0.05	\$ 0.01	\$ 0.20
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	54,347,204	54,591,650	54,427,041	54,415,545	50,562,559
Diluted weighted average shares of common stock outstanding	54,347,204	54,591,650	54,894,888	54,846,756	50,999,505
Dividends declared per share of common stock ⁽¹⁾	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35

1. There is no assurance dividends will continue at these levels or at all.

Reconciliation of Net Income to Non-GAAP Distributable Earnings

(\$ in thousands, except per share data)	For the Three Months Ended				
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
Net income (loss) attributable to common stockholders	\$ (2,198)	\$ (6,439)	\$ 2,909	\$ 644	\$ 10,031
Stock-based compensation	1,004	960	738	673	699
Incentive fees to affiliate	334	—	1,264	855	965
Depreciation of real estate owned	—	—	—	—	—
Provision for current expected credit losses	20,127	21,019	19,402	19,485	7,768
Realized gain on termination of interest rate cap derivative ⁽¹⁾	(266)	(457)	(422)	(354)	(264)
Distributable Earnings	\$ 19,001	\$ 15,083	\$ 23,891	\$ 21,303	\$ 19,199
Net income (loss) attributable to common stockholders	\$ (0.04)	\$ (0.12)	\$ 0.05	\$ 0.01	\$ 0.20
Stock-based compensation	0.02	0.02	0.01	0.01	0.01
Incentive fees to affiliate	0.01	—	0.02	0.02	0.02
Depreciation of real estate owned	—	—	—	—	—
Provision for current expected credit losses	0.37	0.39	0.36	0.36	0.15
Realized gain on termination of interest rate cap derivative ⁽¹⁾	—	(0.01)	(0.01)	(0.01)	(0.01)
Basic Distributable Earnings per common share	\$ 0.35	\$ 0.28	\$ 0.44	\$ 0.39	\$ 0.38
Net income (loss) attributable to common stockholders	\$ (0.04)	\$ (0.12)	\$ 0.05	\$ 0.01	\$ 0.20
Stock-based compensation	0.02	0.02	0.01	0.01	0.01
Incentive fees to affiliate	0.01	—	0.02	0.02	0.02
Depreciation of real estate owned	—	—	—	—	—
Provision for current expected credit losses	0.37	0.38	0.35	0.36	0.15
Realized gain on termination of interest rate cap derivative ⁽¹⁾	—	(0.01)	(0.01)	(0.01)	(0.01)
Diluted Distributable Earnings per common share	\$ 0.35	\$ 0.27	\$ 0.44	\$ 0.39	\$ 0.38

1. For the three months ended June 30, 2023, March 31, 2023, December 31, 2022, September 30, 2022, and June 30, 2022, Distributable Earnings includes \$0.3 million, \$0.5 million, \$0.4 million, \$0.4 million and \$0.3 million, respectively, adjustment to reverse the impact of the \$2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income.

Glossary

Distributable Earnings	Distributable Earnings is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings provides useful information to investors regarding the Company's ability to pay dividends, which the Company believes is one of the principal reasons investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager, 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), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings. Distributable Earnings is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager.
Unleveraged Effective Yield	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, premiums or discounts) and assumes no dispositions, early prepayments or defaults.
Weighted Average Unleveraged Effective Yield	Weighted average unleveraged effective yield is calculated based on the average of unleveraged effective yield of all loans held by the Company as weighted by the outstanding principal balance of each loan.

