

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): November 2, 2022



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)

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 November 2, 2022, the registrant issued a press release announcing its financial results for the quarter ended September 30, 2022. 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 November 2, 2022, the registrant made available on its website an earnings presentation with respect to its financial results for the quarter ended September 30, 2022. 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
99.1	Press Release, dated November 2, 2022
99.2	Presentation of Ares Commercial Real Estate Corporation, dated November 2, 2022
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: November 2, 2022

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
THIRD QUARTER 2022 RESULTS**

*Third quarter GAAP net income of \$0.6 million or \$0.01 per diluted common share and
Distributable Earnings⁽¹⁾ of \$21.3 million or \$0.39 per diluted common share*

-Subsequent to end of third quarter-

*Declared fourth quarter 2022 dividend of \$0.33 per common share and
a supplemental dividend of \$0.02 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 income of \$0.6 million or \$0.01 per diluted common share and Distributable Earnings⁽¹⁾ of \$21.3 million or \$0.39 per diluted common share for the third quarter of 2022.

“We generated another quarter of strong earnings that were primarily driven by the benefits of higher interest rates on our floating rate loan portfolio,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “We are approaching the current market by continuing to directly originate senior loans backed by high quality commercial properties as well as opportunistically acquiring investment grade commercial real estate securities, in both cases at wider, attractive credit spreads.”

“We believe our strong position of \$156 million of available liquidity and no credit spread based mark-to-market sources of financing positions us well to navigate today’s market,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation.

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

COMMON STOCK DIVIDEND

On July 29, 2022, 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 third quarter of 2022. The third quarter 2022 dividend and supplemental cash dividend were paid on October 17, 2022 to common stockholders of record as of September 30, 2022.

On November 2, 2022, 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 fourth quarter of 2022. The fourth quarter 2022 dividend and supplemental cash dividend will be payable on January 18, 2023 to common stockholders of record as of December 30, 2022.

ADDITIONAL INFORMATION

The Company issued a presentation of its third quarter 2022 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 "Third Quarter 2022 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 with the U.S. Securities and Exchange Commission on November 2, 2022.

CONFERENCE CALL AND WEBCAST INFORMATION

On Wednesday, November 2, 2022, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its third quarter 2022 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 (844) 200-6205. International callers can access the conference call by dialing +1 (929) 526-1599. All callers will need to enter access code 951268. 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 November 30, 2022 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (866) 813-9403 and to international callers by dialing +44 204 525 0658. For all replays, please reference access code 933476. An archived replay will also be available through November 30, 2022 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 returns on current and future investments, rates of repayments and prepayments on the Company's mortgage loans, availability of investment opportunities, the Company's ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, market trends and conditions in the Company's industry and the general economy, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, currency fluctuations and challenges in the supply chain; the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the ongoing impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, the impact of Russia's invasion of Ukraine and the international community's response, which created, and may continue to create, substantial political and economic disruption, uncertainty and risk; the Company's ability to pay future dividends at historical levels or at all, 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, 2022 and the risk factors described in Part II, Item 1A. Risk Factors in the Company's subsequent Quarterly Reports on Form 10-Q. 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@aresgmt.com

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

	As of	
	September 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 77,297	\$ 50,615
Loans held for investment (\$930,603 and \$974,424 related to consolidated VIEs, respectively)	2,508,609	2,414,383
Current expected credit loss reserve	(46,060)	(23,939)
Loans held for investment, net of current expected credit loss reserve	2,462,549	2,390,444
Real estate owned held for sale, net	—	36,602
Investment in available-for-sale debt securities, at fair value	27,730	—
Other assets (\$2,539 and \$2,592 of interest receivable related to consolidated VIEs, respectively; \$131,662 and \$128,589 of other receivables related to consolidated VIEs, respectively)	159,610	154,177
Total assets	<u>\$ 2,727,186</u>	<u>\$ 2,631,838</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 847,697	\$ 840,047
Notes payable	104,411	50,358
Secured term loan	149,153	149,016
Collateralized loan obligation securitization debt (consolidated VIEs)	822,319	861,188
Secured borrowings	—	22,589
Due to affiliate	4,879	4,156
Dividends payable	19,196	16,674
Other liabilities (\$1,387 and \$570 of interest payable related to consolidated VIEs, respectively)	12,454	9,182
Total liabilities	<u>1,960,109</u>	<u>1,953,210</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share. 450,000,000 shares authorized at September 30, 2022 and December 31, 2021 and 54,438,363 and 47,144,058 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	537	465
Additional paid-in capital	812,050	703,950
Accumulated other comprehensive income	11,379	2,844
Accumulated earnings (deficit)	(56,889)	(28,631)
Total stockholders' equity	<u>767,077</u>	<u>678,628</u>
Total liabilities and stockholders' equity	<u>\$ 2,727,186</u>	<u>\$ 2,631,838</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 September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Interest income	\$ 45,633	\$ 34,023	\$ 117,619	\$ 95,587
Interest expense	(18,362)	(12,669)	(43,851)	(35,900)
Net interest margin	27,271	21,354	73,768	59,687
Revenue from real estate owned	—	5,850	2,672	12,271
Total revenue	27,271	27,204	76,440	71,958
Expenses:				
Management and incentive fees to affiliate	3,868	3,175	10,608	8,693
Professional fees	842	480	2,720	1,880
General and administrative expenses	1,416	1,119	4,617	3,470
General and administrative expenses reimbursed to affiliate	1,011	773	2,641	2,313
Expenses from real estate owned	—	5,339	4,309	12,458
Total expenses	7,137	10,886	24,895	28,814
Provision for current expected credit losses	19,485	6,367	26,659	(756)
Gain on sale of real estate owned	—	—	2,197	—
Income before income taxes	649	9,951	27,083	43,900
Income tax expense, including excise tax	5	—	208	593
Net income attributable to common stockholders	<u>\$ 644</u>	<u>\$ 9,951</u>	<u>\$ 26,875</u>	<u>\$ 43,307</u>
Earnings per common share:				
Basic earnings per common share	\$ 0.01	\$ 0.21	\$ 0.53	\$ 1.06
Diluted earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.21</u>	<u>\$ 0.52</u>	<u>\$ 1.05</u>
Weighted average number of common shares outstanding:				
Basic weighted average shares of common stock outstanding	54,415,545	46,957,339	50,753,915	40,840,453
Diluted weighted average shares of common stock outstanding	54,846,756	47,209,469	51,193,238	41,120,751
Dividends declared per share of common stock⁽¹⁾	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 1.05</u>	<u>\$ 1.05</u>

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

SCHEDULE 1

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) 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 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 September 30, 2022 (\$ in thousands):

	For the three months ended September 30, 2022		For the twelve months ended September 30, 2022	
Net income attributable to common stockholders	\$	644	\$	44,030
Stock-based compensation		673		2,632
Incentive fees to affiliate		855		3,007
Depreciation of real estate owned		—		(2,234)
Provision for current expected credit losses		19,485		27,425
Realized gain on termination of interest rate cap derivative ⁽¹⁾		(354)		1,342
Distributable Earnings	\$	21,303	\$	76,202
Net income attributable to common stockholders	\$	0.01	\$	0.88
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.02		0.06
Depreciation of real estate owned		—		(0.04)
Provision for current expected credit losses		0.36		0.55
Realized gain on termination of interest rate cap derivative ⁽¹⁾		(0.01)		0.03
Basic Distributable Earnings per common share	\$	0.39	\$	1.53
Net income attributable to common stockholders	\$	0.01	\$	0.88
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.02		0.06
Depreciation of real estate owned		—		(0.04)
Provision for current expected credit losses		0.36		0.55
Realized gain on termination of interest rate cap derivative ⁽¹⁾		(0.01)		0.03
Diluted Distributable Earnings per common share	\$	0.39	\$	1.52

(1) For the three months and twelve months ended September 30, 2022, Distributable Earnings includes a \$0.4 million and \$0.6 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.



Third Quarter 2022 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 returns on current and future investments, rates of repayments and prepayments on the Company's mortgage loans, availability of investment opportunities, the Company's ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, market trends and conditions in the Company's industry and the general economy, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, currency fluctuations and challenges in the supply chain; the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the ongoing impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, the impact of Russia's invasion of Ukraine and the international community's response, which created, and may continue to create, substantial political and economic disruption, uncertainty and risk; the Company's ability to pay future dividends at historical levels or at all, 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, 2021 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.

Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by ACRE or any other fund or account managed by ACREM or Ares, or as legal, accounting or tax advice. None of ACRE, ACREM, Ares or any affiliate of ACRE, ACREM or Ares makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. Certain information set forth herein includes estimates and projections and involves significant elements of subjective judgment and analysis. Further, such information, unless otherwise stated, is before giving effect to management and incentive fees and deductions for taxes. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such estimates or projections will be realized.

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.

These materials are not intended as an offer to sell, or the solicitation of an offer to purchase, any security, the offer and/or sale of which can only be made by definitive offering documentation. Any offer or solicitation with respect to any securities that may be issued by ACRE will be made only by means of definitive offering memoranda or prospectus, which will be provided to prospective investors and will contain material information that is not set forth herein, including risk factors relating to any such investment.

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	\$2.5 billion outstanding principal balance	98% Senior Loans	Earnings and Dividends	\$0.39 Distributable Earnings ⁽¹⁾ per diluted common share	
	Q3 2022 investment activity included multifamily and self storage loan originations plus commercial real estate ("CRE") debt security purchases			Declared Q4 2022 regular dividend of \$0.33 plus \$0.02 supplemental dividend per common share	
Liquidity and Interest Rate Sensitivity	98% floating rate loan portfolio	\$156 million of available capital ⁽²⁾	Ares Sponsorship	\$341 billion ARES AUM	\$51 billion ARES real estate platform AUM
	Positive benefit from rising interest rates with 98% of loans and 68% of total debt being interest rate sensitive ⁽³⁾			Benefits from market intelligence and deep relationships	

As of September 30, 2022, 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.

1. Distributable Earnings is a non-GAAP financial measure. See page 20 for Distributable Earnings definition and page 19 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.
2. As of November 1, 2022, includes \$81 million of unrestricted cash and \$75 million of available financing proceeds under the secured revolving funding agreement with City National Bank ("CNB Facility").
3. Based on LIBOR and SOFR rates as of September 30, 2022 and LIBOR and SOFR floors in place. The remaining 32% of total debt is either fixed rate or covered by interest rate hedging.

Summary of Q3 2022 Results and Activity

Earnings Results	<ul style="list-style-type: none"> GAAP net income of \$0.01 per diluted common share Distributable Earnings of \$0.39 per diluted common share Book value per outstanding common share of \$14.09 Cash dividend of \$0.33 and supplemental cash dividend of \$0.02⁽¹⁾
Portfolio Activity	<ul style="list-style-type: none"> Loan portfolio with \$2.5 billion in outstanding principal balance Closed \$50 million in new loan commitments, with \$68 million in outstanding principal funded⁽²⁾ Investment in floating rate AAA rated CRE debt securities of \$28.0 million par value \$167 million in full or partial loan repayments
Balance Sheet Positioning	<ul style="list-style-type: none"> Strong available capital of \$156 million⁽³⁾ Moderate leverage with total debt to equity ratio of 2.3x and recourse debt to equity ratio of 1.3x⁽⁴⁾ Well-positioned for potential increases in short-term interest rates with 98% of loans and 68% of total debt being interest rate sensitive⁽⁵⁾
Recent Developments	<ul style="list-style-type: none"> On November 2, 2022, declared a cash dividend for fourth quarter 2022 of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share

Note: As of September 30, 2022, unless otherwise noted.

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

2. Outstanding principal funded includes fundings on previously originated loans.

3. As of November 1, 2022, includes \$81 million of unrestricted cash and \$75 million of available financing proceeds under the secured revolving funding agreement with City National Bank ("CNB Facility").

4. Ratios exclude CECL reserve. Total debt to equity ratio of 2.5x and recourse debt to equity ratio of 1.4x including CECL reserve.

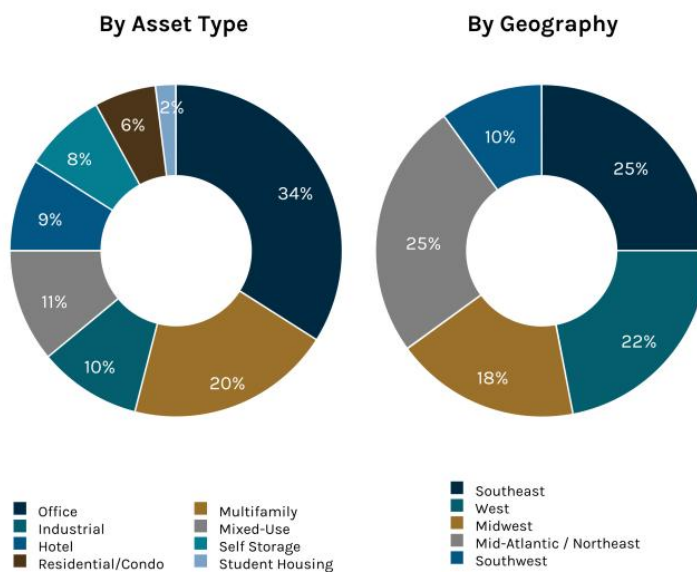
5. 98% of the total loan portfolio is floating rate.

Loan Portfolio Positioning and Performance

Loan Portfolio Metrics

Outstanding principal balance ⁽¹⁾	\$2.5 billion
Number of loans	70
Percentage of senior loans ⁽²⁾	98%
Percentage of floating rate loans ⁽²⁾	98%
Weighted average unleveraged effective yield ⁽³⁾	7.8%

Diverse Loan Portfolio⁽²⁾



Note: As of September 30, 2022, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of loan portfolio of \$2.578 billion during Q3 2022.

2. Based on outstanding principal balance.

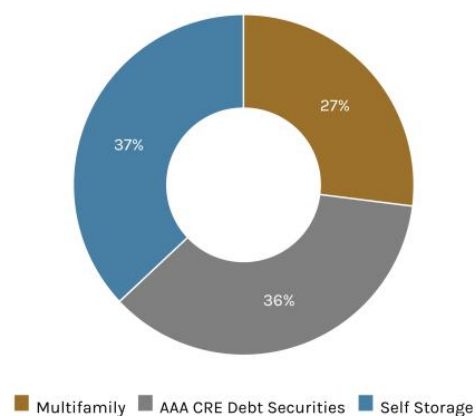
3. Excludes impact of three loans on non-accrual status. Including the three non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 7.4%.

Q3 2022 Investment Activity

New Investments

Total new investments ⁽²⁾	\$78 million
Number of new investments	6
Floating rate investments	100%

Investment Composition⁽¹⁾



Note: Differences may arise due to rounding.

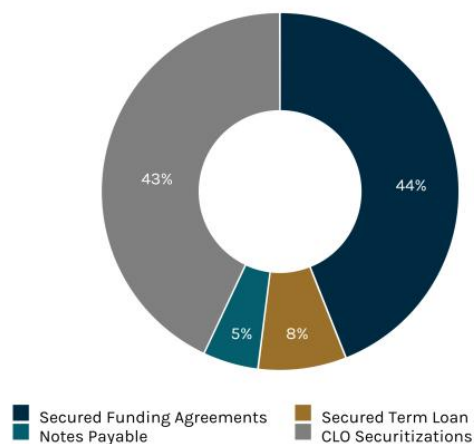
1. Based on commitment amount for new loan commitments and for par value of debt securities purchased in Q3 2022.
2. Includes \$50 million of closed loans and \$28 million in purchases of AAA rated CRE debt securities.

Well-Positioned Balance Sheet

Financing Metrics

Total capacity across all financings ⁽¹⁾	\$2.4 billion
Sources of financing ⁽²⁾	8
Percentage of non-recourse financing ⁽³⁾	43%
Debt to equity ratio ⁽⁴⁾	2.3x
Spread based mark to market provisions ⁽⁵⁾	0%

Diversified Sources of Financing⁽³⁾



Note: As of September 30, 2022, unless otherwise noted. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of \$1.920 billion across all financings for Q3 2022.

2. Excludes Notes Payable. See page 11 for additional details on sources of financing.

3. Based on outstanding principal balance.

4. Excludes CECL reserve. Total debt to equity ratio of 2.5x including CECL reserve.

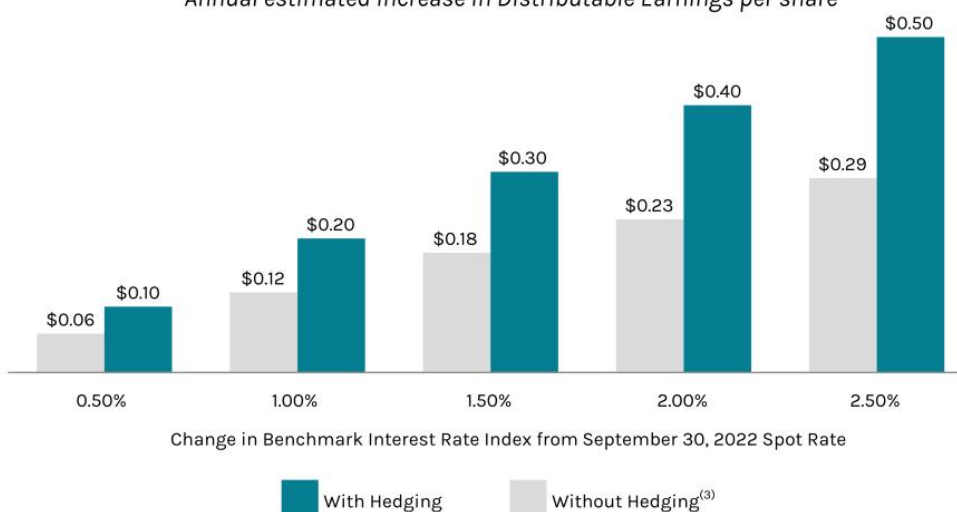
5. Secured funding agreements are not subject to mark-to-market provisions based on changes in market borrowing spreads but are subject to remargining provisions based on the credit performance of our loans.

Well-Positioned for Potential Rise in Short-Term Interest Rates

Interest Rate Sensitivity to Benchmark Interest Rate Index⁽¹⁾ Changes

(\$ per share)

Annual estimated increase in Distributable Earnings per share⁽²⁾



98% of loans and 68% of total debt is interest rate sensitive⁽⁴⁾

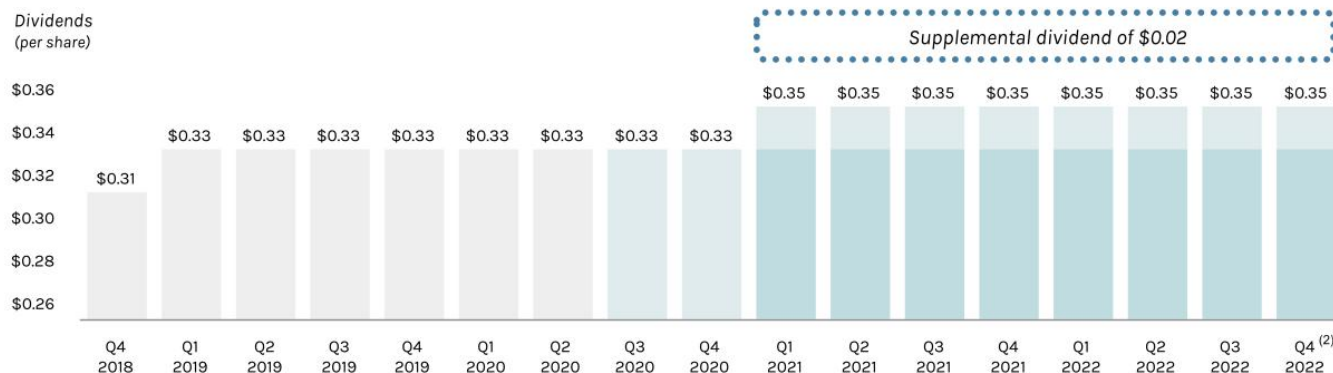
Note: As of September 30, 2022, unless otherwise noted.

1. Benchmark Interest Rate Index represents the interest rates indexed to LIBOR and SOFR.
2. The chart estimates the hypothetical increases in Distributable Earnings per share for the twelve month period ended September 30, 2022, assuming (1) an immediate increase or decrease in 30-day Benchmark Interest Rate Index as of September 30, 2022, (2) no change in the outstanding principal balance of our loans held for investment portfolio and borrowings as of September 30, 2022 and (3) no changes in the notional amount of the interest rate swap agreement entered into as of September 30, 2022.
3. Represents the hypothetical impact to Distributable Earnings per share had we not entered into interest rate swap agreement as of the reporting date.
4. Based on LIBOR and SOFR rates as of September 30, 2022 and LIBOR and SOFR floors in place.



History of Growing and Consistent Dividends

Dividend History⁽¹⁾



Full Dividend Coverage from Distributable Earnings



1. There is no assurance that dividends will be paid at historical levels or at all.

2. Dividend declared but not paid. Q4 2022 dividend and supplemental cash dividend will be payable on January 18, 2023 to common stockholders of record as of December 30, 2022.



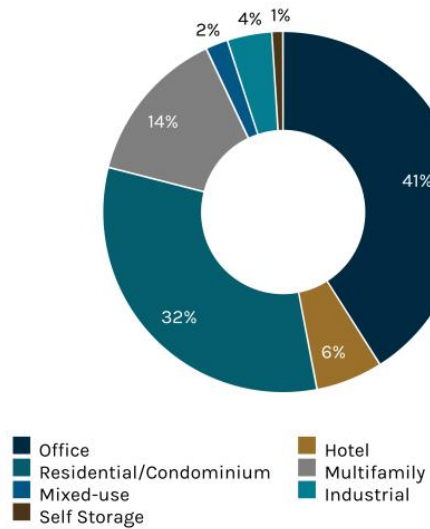
Appendix

Current Expected Credit Losses

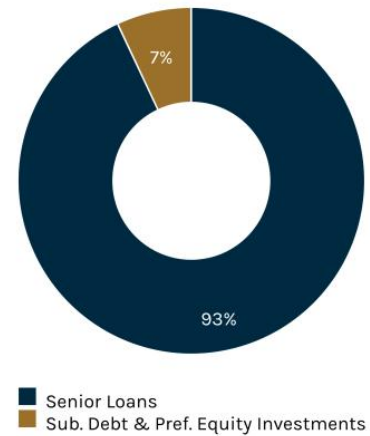
(\$ in thousands)		
Balance at 6/30/2022	\$	32,421
Provision for CECL		19,485
Balance at 9/30/2022	\$	51,906

- Increase in total CECL reserve of \$19.5 million (bifurcated between an increase in funded commitments provision of \$18.5 million and an increase in unfunded commitments provision of \$1.0 million)
- Included in the total CECL reserve is a \$2.4 million specific reserve on a residential senior loan

Current Expected Credit Loss Reserve
by Property Type



Current Expected Credit Loss Reserve
by Loan Type



Additional Details on Sources of Funding

(\$ in millions)				
Financing Sources	Total Commitments	Outstanding Balance	Pricing Range	Mark-to-Market
Secured Funding Agreements				
Wells Fargo Facility	\$450.0	\$353.9	Base Rate ⁽¹⁾ +1.50 to 2.75%	Credit
Citibank Facility	325.0	273.3	Base Rate ⁽¹⁾ +1.50 to 2.10%	Credit
CNB Facility	75.0	—	SOFR+2.65%	Credit
Morgan Stanley Facility	250.0	199.9	Base Rate ⁽¹⁾ +1.50 to 3.00%	Credit
MetLife Facility	180.0	20.6	Base Rate ⁽¹⁾ +2.10 to 2.50%	Credit
Subtotal	\$1,280.0	\$847.7		
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	378.5	378.5	LIBOR+ 1.31%	None
Subtotal	\$974.1	\$974.1		
Total Debt	\$2,359.1	\$1,926.8		

Note: As of September 30, 2022.

1. The base rate is LIBOR for loans pledged prior to December 31, 2021 and SOFR for loans pledged subsequent to December 31, 2021.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Office Loans:											
1	Senior	IL	Nov 2020	\$151.5	\$151.5	\$151.3	L+3.60%	1.5%	7.1%	Mar 2023	I/O
2	Senior	Diversified	Jan 2020	122.5	117.4	117.4	S+3.75%	1.6%	7.2%	Jan 2023	I/O
3	Senior	AZ	Sep 2021	115.7	77.4	76.8	L+3.50%	0.1%	7.0%	Oct 2024	I/O
4	Senior	NC	Mar 2019	69.2	69.2	69.1	L+4.25%	2.4%	7.7%	Mar 2023	P/I
5	Senior	NC	Aug 2021	85.0	66.1	65.6	S+3.65%	0.2%	7.2%	Aug 2024	I/O
6	Senior	NY	Jul 2021	81.0	65.9	65.3	L+3.85%	0.1%	7.4%	Aug 2025	I/O
7	Senior	IL	Nov 2017	61.0	61.0	61.0	L+3.75%	1.3%	7.1%	Dec 2022	I/O
8	Senior	IL	May 2018	58.9	56.9	56.0	S+3.95%	2.0%	—% ⁽²⁾	Jun 2023	I/O
9	Senior	GA	Nov 2019	56.2	48.5	48.5	L+3.05%	2.0%	6.9%	Dec 2022	I/O
10	Senior	CA	Oct 2019	37.2	32.9	32.9	L+3.35%	2.0%	7.1%	Nov 2022	I/O
11	Senior	IL	Dec 2019	41.9	30.2	30.1	L+3.80%	1.8%	7.6%	Jan 2023	I/O
12	Senior	CA	Nov 2018	22.8	22.8	22.8	L+3.40%	2.3%	6.8%	Nov 2023	I/O
13	Senior	MA	Apr 2022	82.2	22.3	21.5	S+3.75%	—%	7.7%	Apr 2025	I/O
14	Subordinate	NJ	Mar 2016	18.2	18.2	17.6	12.00%	—%	13.6%	Jan 2026	I/O
Total Office				\$1,003.3	\$840.3	\$835.9					
Multifamily Loans:											
15	Senior	NY	May 2022	\$133.0	\$129.1	\$127.6	S+3.90%	0.2%	7.4%	Jun 2025	I/O
16	Senior	TX	Jun 2022	100.0	100.0	99.1	S+3.50%	1.5%	6.9%	Jul 2025	I/O
17	Senior	TX	Nov 2021	68.8	67.5	67.0	L+2.85%	0.1%	6.4%	Dec 2024	I/O
18	Senior ⁽³⁾	SC	Dec 2021	67.0	67.0	66.8	L+2.90%	0.1%	6.3%	Nov 2024	I/O
19	Senior	CA	Nov 2021	31.7	31.7	31.5	L+2.90%	—%	6.3%	Dec 2025	I/O
20	Senior	PA	Dec 2018	30.3	29.4	29.3	L+3.00%	1.3%	6.4%	Dec 2022	I/O
21	Senior	WA	Dec 2021	23.1	23.1	23.0	L+2.90%	—%	6.2%	Nov 2025	I/O
22	Senior	TX	Oct 2021	23.1	22.1	21.9	L+2.50%	0.1%	6.0%	Oct 2024	I/O
23	Subordinate	SC	Aug 2022	20.6	20.6	20.4	S+9.53%	1.5%	13.0%	Sep 2025	I/O
24	Senior	WA	Feb 2020	19.0	18.7	18.7	L+3.00%	1.7%	6.6%	Mar 2023	I/O
Total Multifamily				\$516.6	\$509.2	\$505.3					

Note: As of September 30, 2022.

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

2. Loan was on non-accrual status as of September 30, 2022 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing. In May 2022, the Company and the borrower entered into a modification and extension agreement to, among other things, amend the interest rate from L + 3.95% to S + 3.95% and extend the maturity date on the senior Illinois loan from June 2022 to June 2023. For the three months ended September 30, 2022, the Company received \$0.7 million of interest payments in cash on the senior Illinois loan that was recognized as a reduction to the carrying value of the loan and the borrower is current on all contractual interest payments.

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

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Mixed-Use Loans:											
25	Senior	FL	Feb 2019	\$84.0	\$84.0	\$84.0	L+4.25%	1.5%	7.4%	Feb 2023	I/O
26	Senior	NY	Jul 2021	78.3	75.0	74.5	L+3.65%	0.1%	7.2%	Jul 2024	I/O
27	Senior	CA	Jan 2021	58.8	58.7	58.5	(2)	0.2%	9.7%	Jan 2024	I/O
28	Senior	CA	Feb 2020	37.9	37.9	37.9	L+4.10%	1.7%	7.8%	Mar 2023	I/O
29	Senior	TX	Sep 2019	35.3	35.3	35.2	S+3.85%	0.7%	7.2%	Sep 2024	I/O
Total Mixed-Use				\$294.3	\$290.9	\$290.1					
Industrial Loans:											
30	Senior	IL	May 2021	\$100.7	\$96.9	\$96.4	L+4.55%	0.2%	8.1%	May 2024	I/O
31	Senior	FL	Dec 2021	25.5	25.5	25.4	L+2.90%	0.1%	6.3%	Dec 2025	I/O
32	Senior ⁽³⁾	CO	Jul 2021	24.6	24.6	24.5	(4)	0.3%	10.9%	Feb 2023	I/O
33	Senior	NJ	Jun 2021	28.3	23.3	23.1	L+3.75%	0.3%	7.6%	May 2024	I/O
34	Senior	CA	Aug 2019	19.6	19.6	19.5	L+3.75%	2.0%	7.5%	Mar 2023	I/O
35	Senior ⁽³⁾	TX	Nov 2021	10.3	10.3	10.3	L+5.25%	0.3%	8.8%	Dec 2024	I/O
36	Senior ⁽³⁾	FL	Nov 2021	9.5	9.5	9.4	L+4.75%	0.3%	9.4%	Nov 2024	I/O
37	Senior ⁽³⁾	PA	Sep 2021	8.0	8.0	8.0	L+5.50%	0.3%	9.0%	Sep 2024	I/O
38	Senior ⁽³⁾	PA	Oct 2021	7.0	7.0	6.9	L+5.90%	0.3%	9.4%	Nov 2024	I/O
39	Senior ⁽³⁾	TN	Oct 2021	6.7	6.7	6.6	L+5.50%	0.3%	9.0%	Nov 2024	I/O
40	Senior	FL	Feb 2022	5.9	5.9	5.9	S+5.90%	0.3%	9.3%	Feb 2025	I/O
41	Senior	FL	Feb 2022	4.7	4.7	4.6	S+5.75%	0.3%	9.2%	Mar 2025	I/O
42	Senior ⁽³⁾	AZ	Sep 2021	2.7	2.7	2.7	L+5.90%	0.3%	9.4%	Oct 2024	I/O
43	Senior ⁽³⁾	GA	Aug 2021	1.3	1.3	1.3	L+5.25%	0.3%	8.8%	Sep 2024	I/O
Total Industrial				\$254.8	\$246.0	\$244.6					

Note: As of September 30, 2022.

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

2. At origination, the California loan was structured as both a senior and mezzanine loan with the Company holding both positions. The senior loan, which had an outstanding principal balance of \$45.0 million as of September 30, 2022, accrues interest at a per annum rate of L + 3.80% and the mezzanine loan, which had an outstanding principal balance of \$13.7 million as of September 30, 2022, accrues interest at a per annum rate of 18.00%.

3. Loans are a cross-collateralized portfolio with affiliates of the same borrower.

4. At origination, the Colorado loan was structured as a senior loan and in January 2022, the Company also originated the mezzanine loan. The senior loan, which had an outstanding principal balance of \$20.8 million as of September 30, 2022, accrues interest at a per annum rate of L + 6.75% and the mezzanine loan, which had an outstanding principal balance of \$3.8 million as of September 30, 2022, accrues interest at a per annum rate of S + 8.50%.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Hotel Loans:											
44	Senior	Diversified	Sep 2018	\$49.9	\$49.9	\$49.8	L+8.60%	2.1%	12.8%	Dec 2022	P/I
45	Senior	CA	Dec 2017	40.0	40.0	39.9	L+4.12%	1.4%	7.8%	Jan 2023	I/O
46	Senior	OR/WA	May 2018	39.9	39.9	39.8	L+3.45%	1.9%	9.7%	Nov 2022	I/O
47	Senior	CA	Mar 2022	60.8	39.4	38.9	S+4.20%	—%	7.7%	Mar 2025	I/O
48	Senior	IL	Apr 2018	35.0	35.0	30.5	S+4.00%	0.3%	—% ⁽²⁾	May 2024	I/O
49	Senior	NY	Mar 2022	55.7	30.7	30.2	S+4.40%	0.1%	8.0%	Mar 2026	I/O
Total Hotel				\$281.3	\$234.9	\$229.1					

Note: As of September 30, 2022.

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

2. Loan was on non-accrual status as of September 30, 2022 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing. In March 2022, the Company and the borrower entered into a modification and extension agreement to, among other things, amend the interest rate from L + 4.40% to S + 4.00% and extend the maturity date on the senior Illinois loan from May 2022 to May 2024. For the three and nine months ended September 30, 2022, the Company received in cash and recognized \$0.5 million and \$0.9 million, respectively, of interest income on the senior Illinois loan and the borrower is current on all contractual interest payments. However, 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.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Self Storage Loans:											
50	Senior	NJ	Apr 2021	\$55.5	\$55.5	\$55.5	L+3.80%	0.4%	6.9%	Feb 2024	I/O
51	Senior	NJ	Aug 2022	17.6	17.6	17.3	S+2.90%	1.0%	6.7%	Apr 2025	I/O
52	Senior	PA	Mar 2022	18.2	17.6	17.4	L+2.90%	1.0%	6.4%	Dec 2025	I/O
53	Senior	PA	Apr 2022	13.8	13.8	13.7	L+3.05%	1.0%	6.6%	Oct 2024	I/O
54	Senior	MD	Nov 2021	12.5	12.5	12.4	L+3.05%	1.0%	6.5%	Oct 2024	I/O
55	Senior	WA	Aug 2022	11.5	11.3	11.1	S+2.90%	1.0%	6.7%	Mar 2025	I/O
56	Senior	WA	Nov 2021	10.2	10.2	10.2	L+3.05%	1.0%	6.5%	Oct 2024	I/O
57	Senior	MO	Nov 2021	9.0	9.0	8.9	L+3.05%	1.0%	6.5%	Oct 2024	I/O
58	Senior	MA	Mar 2022	8.5	8.5	8.5	L+2.90%	0.9%	6.2%	Dec 2024	I/O
59	Senior	TX	Apr 2022	8.0	8.0	8.0	L+2.90%	0.9%	6.3%	Aug 2024	I/O
60	Senior	MA	Apr 2022	7.7	7.7	7.6	L+2.90%	0.9%	6.2%	Nov 2024	I/O
61	Senior	MA	Apr 2022	6.8	6.4	6.4	L+2.90%	0.9%	6.3%	Oct 2024	I/O
62	Senior	MO	Jan 2021	6.5	6.4	6.4	L+3.00%	1.3%	6.3%	Dec 2023	I/O
63	Senior	NJ	Mar 2022	5.9	5.9	5.9	L+2.90%	0.9%	6.5%	Jul 2024	I/O
64	Senior	IL	Jan 2021	5.6	5.6	5.6	L+3.00%	1.0%	6.5%	Dec 2023	I/O
65	Senior	TX	Mar 2022	2.9	2.9	2.9	L+2.90%	0.9%	6.2%	Sep 2024	I/O
Total Self Storage				\$200.2	\$198.9	\$197.8					

Note: As of September 30, 2022.

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

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Residential/Condominium Loans:											
66	Senior	FL	Jul 2021	\$75.0	\$70.7	\$70.4	L+5.25%	—%	9.0%	Jul 2023	I/O
67	Senior	NY	Mar 2022	91.1	67.8	67.2	S+8.95%	0.4%	13.8%	Oct 2023	I/O
68	Senior	CA	Jan 2018	14.3	14.3	14.3	13.00%	—%	—% ⁽²⁾	May 2021	I/O
Total Residential/Condominium				\$180.4	\$152.8	\$151.9					
Student Housing Loans:											
69	Senior	CA	Jun 2017	\$34.5	\$34.5	\$34.5	S+3.95%	0.5%	7.0%	Jul 2023	I/O
70	Senior	AL	Apr 2021	19.5	19.5	19.4	L+3.85%	0.2%	7.4%	May 2024	I/O
Total Student Housing				\$54.0	\$54.0	\$53.9					
Loan Portfolio Total/Weighted Average				\$2,784.9	\$2,527.0	\$2,508.6	0.9% ⁽³⁾		7.4%		

Note: As of September 30, 2022.

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

2. Loan was on non-accrual status as of September 30, 2022 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing. As of September 30, 2022, the senior California loan, which is collateralized by a residential property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the May 2021 maturity date. As of September 30, 2022, the Company has elected to assign a specific CECL reserve on the senior California loan.

3. The weighted average floor is calculated based on loans with LIBOR or SOFR floors.

Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	9/30/2022	12/31/2021
ASSETS		
Cash and cash equivalents	\$ 77,297	\$ 50,615
Loans held for investment (\$930,603 and \$974,424 related to consolidated VIEs, respectively)	2,508,609	2,414,383
Current expected credit loss reserve	(46,060)	(23,939)
Loans held for investment, net of current expected credit loss reserve	2,462,549	2,390,444
Real estate owned held for sale, net	—	36,602
Investment in available-for-sale debt securities, at fair value	27,730	—
Other assets (\$2,539 and \$2,592 of interest receivable related to consolidated VIEs, respectively; \$131,662 and \$128,589 of other receivables related to consolidated VIEs, respectively)	159,610	154,177
Total assets	\$ 2,727,186	\$ 2,631,838
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 847,697	\$ 840,047
Notes payable	104,411	50,358
Secured term loan	149,153	149,016
Collateralized loan obligation securitization debt (consolidated VIEs)	822,319	861,188
Secured borrowings	—	22,589
Due to affiliate	4,879	4,156
Dividends payable	19,196	16,674
Other liabilities (\$1,387 and \$570 of interest payable related to consolidated VIEs, respectively)	12,454	9,182
Total liabilities	1,960,109	1,953,210
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2022 and December 31, 2021 and 54,438,363 and 47,144,058 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	537	465
Additional paid-in capital	812,050	703,950
Accumulated other comprehensive income	11,379	2,844
Accumulated earnings (deficit)	(56,889)	(28,631)
Total stockholders' equity	767,077	678,628
Total liabilities and stockholders' equity	\$ 2,727,186	\$ 2,631,838

Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Revenue:					
Interest income	\$ 45,633	\$ 38,621	\$ 33,364	\$ 38,044	\$ 34,023
Interest expense	(18,362)	(13,475)	(12,013)	(14,180)	(12,669)
Net interest margin	27,271	25,146	21,351	23,864	21,354
Revenue from real estate owned	—	—	2,672	6,247	5,850
Total revenue	27,271	25,146	24,023	30,111	27,204
Expenses:					
Management and incentive fees to affiliate	3,868	3,766	2,974	3,443	3,175
Professional fees	842	1,100	778	556	480
General and administrative expenses	1,416	1,587	1,613	1,271	1,119
General and administrative expenses reimbursed to affiliate	1,011	796	834	703	773
Expenses from real estate owned	—	—	4,309	6,089	5,339
Total expenses	7,137	7,249	10,508	12,062	10,886
Provision for current expected credit losses	19,485	7,768	(594)	765	6,367
Gain on sale of real estate owned	—	—	2,197	—	—
Income before income taxes	649	10,129	16,306	17,284	9,951
Income tax expense, including excise tax	5	98	105	130	—
Net income attributable to common stockholders	\$ 644	\$ 10,031	\$ 16,201	\$ 17,154	\$ 9,951
Earnings per common share:					
Basic earnings per common share	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	\$ 0.21
Diluted earnings per common share	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	\$ 0.21
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	54,415,545	50,562,559	47,204,397	47,026,252	46,957,339
Diluted weighted average shares of common stock outstanding	54,846,756	50,999,505	47,654,549	47,312,873	47,209,469
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				
	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Net income attributable to common stockholders	\$ 644	\$ 10,031	\$ 16,201	\$ 17,154	\$ 9,951
Stock-based compensation	673	699	766	494	428
Incentive fees to affiliate	855	965	358	830	572
Depreciation of real estate owned	—	—	(2,385)	151	225
Provision for current expected credit losses	19,485	7,768	(594)	765	6,367
Realized gain on termination of interest rate cap derivative ⁽¹⁾	(354)	(264)	1,960	—	—
Distributable Earnings	\$ 21,303	\$ 19,199	\$ 16,306	\$ 19,394	\$ 17,543
Net income attributable to common stockholders	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	\$ 0.21
Stock-based compensation	0.01	0.01	0.02	0.01	0.01
Incentive fees to affiliate	0.02	0.02	0.01	0.02	0.01
Depreciation of real estate owned	—	—	(0.05)	—	—
Provision for current expected credit losses	0.36	0.15	(0.01)	0.02	0.14
Realized gain on termination of interest rate cap derivative ⁽¹⁾	(0.01)	(0.01)	0.04	—	—
Basic Distributable Earnings per common share	\$ 0.39	\$ 0.38	\$ 0.35	\$ 0.41	\$ 0.37
Net income attributable to common stockholders	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	\$ 0.21
Stock-based compensation	0.01	0.01	0.02	0.01	0.01
Incentive fees to affiliate	0.02	0.02	—	0.02	0.01
Depreciation of real estate owned	—	—	(0.05)	—	—
Provision for current expected credit losses	0.36	0.15	(0.01)	0.02	0.13
Realized gain on termination of interest rate cap derivative ⁽¹⁾	(0.01)	(0.01)	0.04	—	—
Diluted Distributable Earnings per common share	\$ 0.39	\$ 0.38	\$ 0.34	\$ 0.41	\$ 0.37

1. For the three months ended September 30, 2022 and June 30, 2022, Distributable Earnings includes a \$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.

