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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

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**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 6, 2020



**ARES COMMERCIAL REAL ESTATE CORPORATION**  
(Exact Name of Registrant as Specified in Charter)

**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**001-35517**  
(Commission  
File Number)

**45-3148087**  
(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 144a-12 under the Exchange Act (17 CFR 240.144-12)

☐ 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. ☐

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**Item 2.02 Results of Operations and Financial Condition.**

On August 6, 2020, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2020. A copy of the summary press release and the earnings presentation are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and incorporated herein by reference.

The information disclosed under this Item 2.02, 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
<a href="#">99.1</a>	Press Release, dated August 6, 2020
<a href="#">99.2</a>	Presentation of Ares Commercial Real Estate Corporation, dated August 6, 2020

**SIGNATURE**

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 6, 2020

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS  
SECOND QUARTER 2020 RESULTS**

*Second quarter GAAP net income of \$9.8 million or \$0.29 per diluted common share and Core Earnings<sup>(1)</sup> of \$10.7 million or \$0.32 per diluted 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 \$9.8 million or \$0.29 per diluted common share and Core Earnings<sup>(1)</sup> of \$10.7 million or \$0.32 per diluted common share for the second quarter of 2020.

“Despite overall volatile market conditions, our Core Earnings remained consistent and our credit quality showed further improvement through active asset management during the second quarter,” said Bryan Donohoe, Chief Executive Officer of ACRE. “Our portfolio, which is focused on multifamily, office and industrial properties, remains well positioned for the current low interest rate environment with 95% of our portfolio in senior loans and 96% with LIBOR floors or are fixed rate.”

“Our portfolio continues to perform well with 100% of our loans held for investment making their contractual debt service payments through the July 2020 payment date,” said Tae-Sik Yoon, Chief Financial Officer of ACRE. “We also further enhanced our liquidity by recently selling or partly monetizing five loans totaling \$238 million in outstanding principal balance.”

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(1) Core Earnings is a non-GAAP financial measure. Refer to Schedule I for further details.

## COMMON STOCK DIVIDEND

On June 19, 2020, the Company declared a cash dividend of \$0.33 per common share for the second quarter of 2020. The second quarter 2020 dividend was paid on July 15, 2020 to common stockholders of record as of June 30, 2020.

## ADDITIONAL INFORMATION

The Company issued a presentation of its second quarter 2020 results, which can be viewed at [www.arescre.com](http://www.arescre.com) on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "Second Quarter 2020 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 with the U.S. Securities and Exchange Commission on August 6, 2020.

## CONFERENCE CALL AND WEBCAST INFORMATION

On Thursday, August 6, 2020, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its second quarter 2020 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 <http://www.arescre.com>. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing +1 (888) 317-6003. International callers can access the conference call by dialing +1 (412) 317-6061. All callers will need to enter the Participant Elite Entry Number 2260614 followed by the # sign and reference "Ares Commercial Real Estate Corporation" once connected with the operator. 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 August 20, 2020 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (877) 344-7529 and to international callers by dialing +1 (412) 317-0088. For all replays, please reference conference number 10146422. An archived replay will also be available through August 20, 2020 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 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](http://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, the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, 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 20, 2020, and the risk factors described in Part II - Other Information, Item 1A. Risk Factors in the Company's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2020. 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 Veronica Mendiola Mayer  
(888) 818-5298  
[iracre@aresmgmt.com](mailto: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, 2020	December 31, 2019
	(unaudited)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,987	\$ 5,256
Restricted cash	—	379
Loans held for investment (\$525,817 and \$515,896 related to consolidated VIEs, respectively)	1,794,049	1,682,498
Current expected credit loss reserve	(26,063)	—
Loans held for investment, net of current expected credit loss reserve	1,767,986	1,682,498
Loans held for sale, at fair value	96,404	—
Real estate owned, net	37,693	37,901
Other assets (\$996 and \$1,309 of interest receivable related to consolidated VIEs, respectively; \$31,183 and \$41,104 of other receivables related to consolidated VIEs, respectively)	46,163	58,100
Total assets	\$ 2,021,233	\$ 1,784,134
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Secured funding agreements	\$ 876,842	\$ 728,589
Notes payable	54,819	54,708
Secured term loan	109,588	109,149
Collateralized loan obligation securitization debt (consolidated VIE)	443,467	443,177
Secured borrowings	47,533	—
Due to affiliate	3,217	2,761
Dividends payable	11,072	9,546
Other liabilities (\$371 and \$718 of interest payable related to consolidated VIEs, respectively)	9,569	9,865
Total liabilities	1,556,107	1,357,795
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2020 and December 31, 2019 and 33,441,937 and 28,865,610 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	329	283
Additional paid-in capital	497,054	423,619
Accumulated earnings (deficit)	(32,257)	2,437
Total stockholders' equity	465,126	426,339
Total liabilities and stockholders' equity	\$ 2,021,233	\$ 1,784,134

**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,	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue:</b>				
Interest income from loans held for investment	\$ 29,835	\$ 29,993	\$ 61,283	\$ 57,979
Interest expense	(13,042)	(16,675)	(28,576)	(32,415)
Net interest margin	16,793	13,318	32,707	25,564
Revenue from real estate owned	1,189	8,357	6,409	10,267
Total revenue	17,982	21,675	39,116	35,831
<b>Expenses:</b>				
Management and incentive fees to affiliate	2,152	2,252	3,924	3,826
Professional fees	660	532	1,563	1,011
General and administrative expenses	959	1,029	1,827	2,148
General and administrative expenses reimbursed to affiliate	1,038	771	2,089	1,430
Expenses from real estate owned	3,254	7,118	9,930	8,806
Total expenses	8,063	11,702	19,333	17,221
Provision for current expected credit losses	(4,007)	—	23,111	—
Unrealized losses on loans held for sale	3,998	—	3,998	—
<b>Income (loss) before income taxes</b>	9,928	9,973	(7,326)	18,610
Income tax expense, including excise tax	160	218	169	314
<b>Net income (loss) attributable to common stockholders</b>	<u>\$ 9,768</u>	<u>\$ 9,755</u>	<u>\$ (7,495)</u>	<u>\$ 18,296</u>
<b>Earnings (loss) per common share:</b>				
Basic earnings (loss) per common share	\$ 0.29	\$ 0.34	\$ (0.23)	\$ 0.64
Diluted earnings (loss) per common share	<u>\$ 0.29</u>	<u>\$ 0.34</u>	<u>\$ (0.23)</u>	<u>\$ 0.63</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic weighted average shares of common stock outstanding	33,316,933	28,599,282	32,607,442	28,580,658
Diluted weighted average shares of common stock outstanding	33,539,580	28,863,765	32,607,442	28,822,601
<b>Dividends declared per share of common stock (1)</b>	\$ 0.33	\$ 0.33	\$ 0.66	\$ 0.66

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

**SCHEDULE I**

**Reconciliation of Net Income to Non-GAAP Core Earnings**

The Company believes the disclosure of Core Earnings provides useful information to investors regarding the calculation of incentive fees the Company pays to its manager, Ares Commercial Real Estate Management LLC, and the Company's financial performance. Core Earnings is an adjusted non-GAAP 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. 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. Core Earnings is a non-GAAP measure and is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's external manager and the Company's independent directors and after approval by a majority of the Company's independent directors.

Reconciliation of net income attributable to common stockholders, the most directly comparable GAAP financial measure, to Core Earnings is set forth in the table below for the three and twelve months ended June 30, 2020 (\$ in thousands):

	<b>For the three months ended June 30, 2020</b>		<b>For the twelve months ended June 30, 2020</b>	
Net income attributable to common stockholders	\$	9,768	\$	11,199
Stock-based compensation		365		1,551
Incentive fees to affiliate		303		680
Depreciation of real estate owned		224		870
Provision for current expected credit losses		(4,007)		23,111
Unrealized losses on loans held for sale		3,998		3,998
<b>Core Earnings</b>	<b>\$</b>	<b>10,651</b>	<b>\$</b>	<b>41,409</b>
Net income attributable to common stockholders	\$	0.29	\$	0.37
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.01		0.02
Depreciation of real estate owned		0.01		0.03
Provision for current expected credit losses		(0.12)		0.75
Unrealized losses on loans held for sale		0.12		0.13
<b>Basic Core Earnings per common share</b>	<b>\$</b>	<b>0.32</b>	<b>\$</b>	<b>1.35</b>
Net income attributable to common stockholders	\$	0.29	\$	0.36
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.01		0.02
Depreciation of real estate owned		0.01		0.03
Provision for current expected credit losses		(0.12)		0.75
Unrealized losses on loans held for sale		0.12		0.13
<b>Diluted Core Earnings per common share</b>	<b>\$</b>	<b>0.32</b>	<b>\$</b>	<b>1.34</b>



## Second Quarter 2020 Earnings Presentation

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# Important Notice

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"), its external manager, Ares Commercial Real Estate Management LLC ("ACREM"), a subsidiary of Ares Management Corporation ("Ares Corp."), Ares Corp., certain of their respective subsidiaries and certain funds and accounts managed by ACREM and/or their subsidiaries. These statements are not guarantees of future results or financial condition and involve a number of risks and uncertainties. Actual results and conditions may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in ACRE's and/or Ares Corp.'s filings with the Securities and Exchange Commission ("SEC"). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws. For a discussion regarding the potential risks and impact of the COVID-19 pandemic on ACRE, see Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operation" and Part II, Item 1A. "Risk Factors" in ACRE's Quarterly Report on Form 10-Q.

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.

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 or Ares may make, by press release or otherwise, from time to time. ACRE 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 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 or Ares or information about the market, as indicative of future results, the achievement of which cannot be assured.

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# Business Highlights

Diversified Portfolio Positioning	Supported Earnings Power	Enhanced Liquidity Position	Active Balance Sheet Management
95% senior loans; no liquid or marketable securities	96% of loans are floating rate with LIBOR floors currently in the money or fixed rate <sup>(1)</sup>	Unrestricted cash of \$80 million <sup>(2)</sup>	Borrowings diversified across 8 different sources of financing <sup>(3)</sup>
62% of loans backed by multifamily, office and industrial properties	Reduced borrowing costs due to decreasing LIBOR and deleveraging of balance sheet	Additional cash capacity under FL-3 Securitization and Ares Warehouse <sup>(2)</sup>	2.9x Debt to Equity (1.9x recourse Debt to Equity) <sup>(2)(4)</sup>
<b>Positive Progress on Credit Quality</b>	<ul style="list-style-type: none"> <li>100% of loans held for investment made contractual debt service payments through the July 2020 payment date<sup>(5)</sup></li> <li>Non-accruing loans declined from 6% of outstanding principal balance to 4% quarter over quarter, including the removal of one hotel loan</li> <li>Portfolio risk ratings improved with 91% of loans held for investment rated a 3 or higher compared to 84% in prior quarter<sup>(6)</sup></li> <li>Subsequent to quarter end, decreased hotel loan exposure by \$31 million</li> </ul>		

Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

# Second Quarter 2020 Results

## Financial Results

- GAAP net income of \$9.8 million or \$0.29 per diluted common share<sup>(7)</sup>
- Core Earnings of \$10.7 million or \$0.32 per diluted common share<sup>(8)</sup>
- Book value per diluted common share of \$13.91 or \$14.75, excluding CECL reserve

## Portfolio Activity

- Refinanced two existing senior loans totaling \$137.5 million in outstanding principal; transferred \$37.5 million in junior subordinated participations to a third party generating additional liquidity
- \$23.5 million in outstanding principal funded on previously originated commitments
- Three loans with \$100.8 million of outstanding principal transferred to held for sale (subsequently sold post quarter end)

## Total Loans Held for Investment

- 50 loans held for investment
- \$2.1 billion in originated commitments at closing and \$1.8 billion in outstanding principal
- Weighted average unleveraged effective yield of 6.7%<sup>(9)</sup>

## Dividends

- Common stock dividend of \$0.33 per common share for Q2-20 paid in cash on July 15, 2020<sup>(10)</sup>

## Subsequent Events

- Closed the sale of three senior mortgage loans with aggregate outstanding principal of \$100.8 million
- U.S. Bank facility repaid in full and term was not extended
- Amended MetLife Facility to, among other things, extend the initial maturity date to August 13, 2022

Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

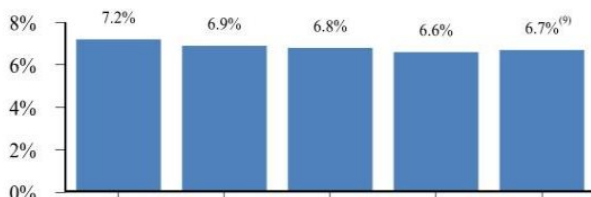
# Total Loans Held for Investment Portfolio

## Key Statistics

(\$ in millions)

Total loan commitments	\$2,058.8
Outstanding principal balance	\$1,806.3
Weighted average unpaid principal balance of loan portfolio <sup>(11)</sup>	\$1,889.9
Total number of loans held for investment	50
Percentage of floating rate loans based on outstanding principal balance	98%
Percentage of senior loans based on outstanding principal balance	95%
Weighted average remaining life of loan portfolio	1.5 years
Weighted average remaining life of senior loans	1.5 years
Weighted average remaining life of subordinated debt and preferred equity investments	2.3 years

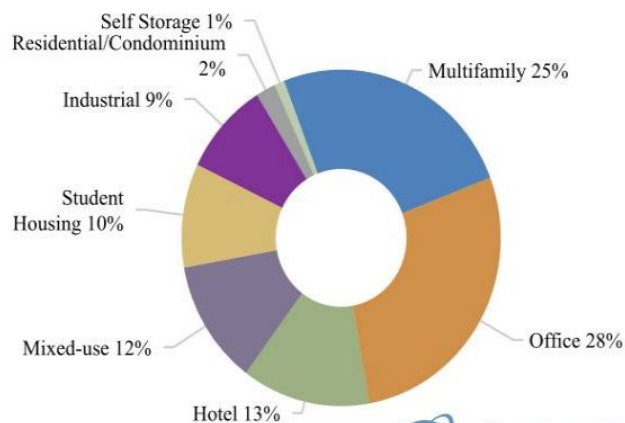
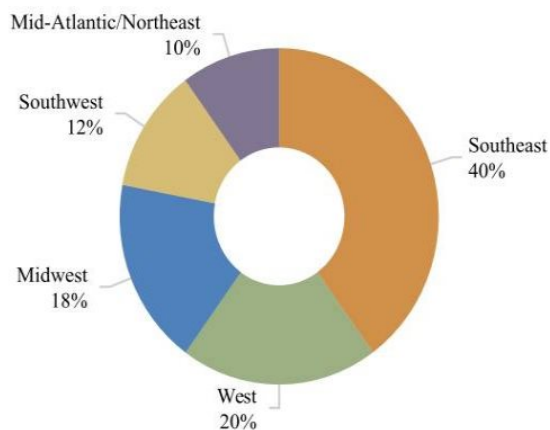
## Unleveraged Effective Yield<sup>(12)</sup>



	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Senior loans	6.9%	6.5%	6.5%	6.2%	6.3% <sup>(9)</sup>
Sub. debt and pref. equity investments	14.7%	15.0%	15.1%	13.5%	13.6%

Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

## Loan Portfolio Characteristics<sup>(13)</sup>



## Interest Rate Sensitivity<sup>(13)</sup>

- 98% of the loan portfolio is floating rate and 2% is fixed rate
- 96% of the loan portfolio is either floating rate with a LIBOR floor (94%) or fixed rate (2%)
  - For the floating rate loans with LIBOR floors, the weighted average LIBOR floor is 1.77%
- 96% of the loan portfolio is either fixed rate or floating rate with a LIBOR floor of 0.16% or higher
- 100% of outstanding financing is floating rate
  - 14% have a LIBOR floor with a weighted average LIBOR floor of 0.96%

### Total Loan Portfolio by LIBOR Floor Levels

(\$ in millions)

LIBOR Floor Range	Outstanding Principal	% Total	Cumulative %
Fixed rate	\$ 43.9	2%	2%
2.25% - 2.50%	378.9	21%	23%
2.00% - 2.24%	187.9	10%	34%
1.75% - 1.99%	408.1	23%	56%
1.50% - 1.74%	339.8	19%	75%
1.25% - 1.49%	139.8	8%	83%
1.00% - 1.24%	70.1	4%	87%
<1.00%	161.6	9%	96%
No floor	76.2	4%	100%
<b>Total</b>	<b>\$ 1,806.3</b>	<b>100%</b>	

### Net Income Sensitivity to USD LIBOR Changes<sup>(14)</sup>

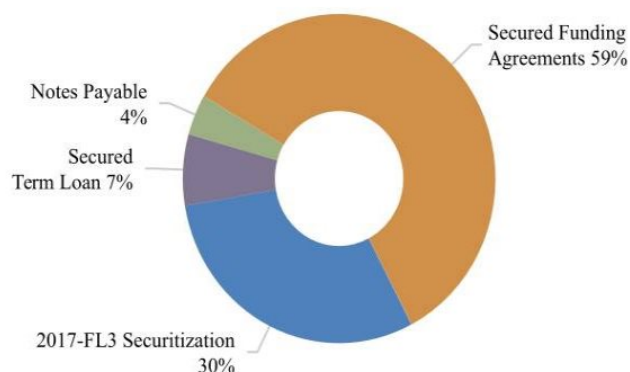
Annual estimated increase/(decrease) in net income (loss)  
(per diluted common share basis)<sup>(15)</sup>



Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

# Financing Sources Overview

## Financing Sources Composition<sup>(13)</sup>



Debt to equity ratio excluding CECL reserve <sup>(16)</sup>	3.0x
Loans held for investment weighted average remaining life	1.5 years
Weighted average remaining term of financing agreements <sup>(17)</sup>	3.0 years
Q2-20 weighted average borrowings <sup>(11)</sup>	\$1,563.4 million

Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

## Financing Sources Detail

(\$ in millions)

Financing Sources	Total Commitments <sup>(18)</sup>	Interest Rate	Outstanding Balance
<b>Secured Funding Agreements</b>			
Wells Fargo Facility	\$ 500.0	LIBOR+1.45 to 2.25%	\$ 465.4
Citibank Facility	325.0	LIBOR+1.50 to 2.50%	120.5
CNB Facility	50.0	LIBOR+2.65%	50.0
U.S. Bank Facility	186.0	LIBOR+1.65 to 2.25%	39.2
Morgan Stanley Facility	150.0	LIBOR+1.75 to 2.85%	117.2
MetLife Facility	180.0	LIBOR+2.10 to 2.30%	84.5
Subtotal	\$ 1,391.0		\$ 876.8

### Asset Level Financing

Notes Payable	\$ 84.2	LIBOR+2.50 to 3.75%	\$ 56.2
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### Capital Markets

Secured Term Loan	\$ 110.0	LIBOR+5.00%	\$ 110.0
2017-FL3 Securitization	445.6	LIBOR + 1.70%	445.6
Subtotal	\$ 555.6		\$ 555.6
<b>Total Debt</b>	<b>\$ 2,030.8</b>		<b>\$ 1,488.6</b>

# Current Expected Credit Losses - Additional Information

## Current Expected Credit Loss Reserve

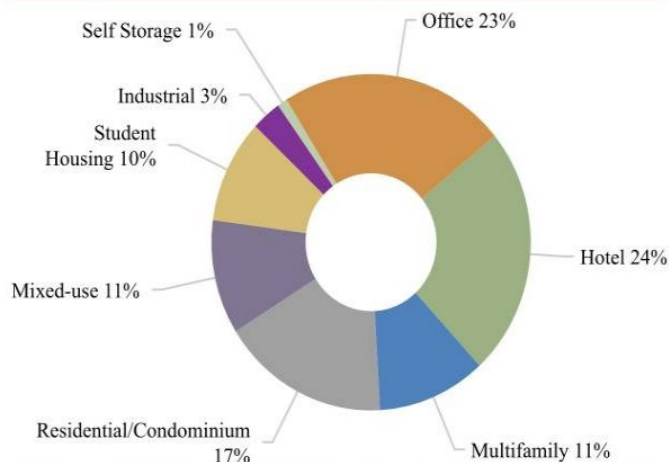
(\$ in thousands)

Balance at 3/31/20	\$	32,168
Provision for CECL		(4,007)
Write-offs		—
Recoveries		—
Balance at 6/30/20	\$	28,161

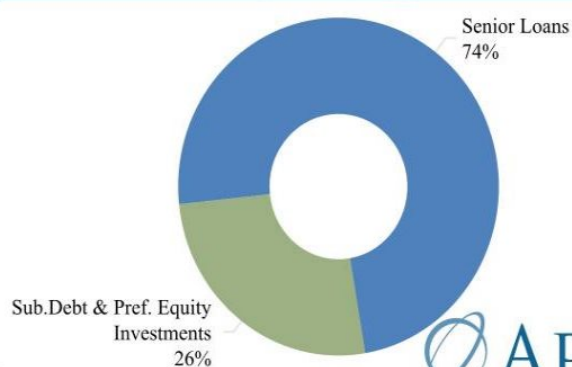
- Cumulative CECL reserve of \$28.2 million reflects macroeconomic environment from COVID-19
- Provision for CECL reduced by \$4.0 million bifurcated between funded commitments of \$3.1 million and unfunded commitments of \$0.9 million
- No specific loan impairments on loan portfolio
- Weighted average risk rating of 3.0 on a scale of 1.0 (lowest risk) to 5.0 (highest risk)<sup>(6)</sup>
- Reduction in provision for CECL in part attributed to:
  - Loans transferred to held for sale (\$1.2 million)
  - Loan payoff (\$0.5 million)

Note: As of June 30, 2020, unless otherwise noted.  
See footnotes on page 15.

## Current Expected Credit Loss Reserve by Property Type



## Current Expected Credit Loss Reserve by Loan Type



## Appendix

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# Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield <sup>(12)</sup>	Maturity Date	Payment Terms <sup>(19)</sup>
Office Loans:											
1	Senior	Diversified	Jan 2020	\$132.6	\$107.9	\$107.4	L+3.65%	1.6%	5.7%	Jan 2023	I/O
2	Senior	IL	Nov 2017	82.0	69.6	69.5	L+3.75%	1.3%	5.6%	Dec 2020	I/O
3	Senior	NC	Mar 2019	84.0	59.4	59.1	L+4.25%	2.4%	8.4%	Mar 2021	I/O
4	Senior	IL	May 2018	59.6	57.3	57.2	L+3.95%	2.0%	6.3%	June 2021	I/O
5	Senior	GA	Nov 2019	56.2	38.6	38.2	L+3.05%	2.0%	5.8%	Dec 2022	I/O
6	Senior	CA	Oct 2019	37.2	31.1	30.8	L+3.35%	2.0%	6.0%	Nov 2022	I/O
7	Subordinated	IL	Mar 2020	37.6	29.7	29.4	L+8.00%	1.5%	10.1%	Mar 2023	I/O
8	Senior	IL	Dec 2019	41.9	28.0	27.7	L+3.80%	1.8%	6.2%	Jan 2023	I/O
9	Senior	CA	Nov 2018	22.8	18.0	17.9	L+3.40%	2.3%	6.3%	Nov 2021	I/O
10	Subordinated	NJ	Mar 2016	17.0	17.0	16.4	12.00%	—%	12.8%	Jan 2026	I/O
11	Senior	TX	Apr 2019	28.2	14.7	14.5	L+4.05%	2.5%	7.6%	Nov 2021	I/O
12	Senior	NC	Apr 2019	30.5	13.3	12.7	L+3.53%	2.3%	7.7%	May 2023	I/O
13	Senior	NC	Oct 2018	13.5	8.6	8.5	L+4.00%	2.1%	6.7%	Nov 2022	I/O
14	Subordinated	CA	Nov 2017	3.1	2.9	2.9	L+8.25%	1.3%	9.7%	Nov 2021	I/O
Total Office				\$646.2	\$496.1	\$492.2					
Multifamily Loans:											
15	Senior	FL	June 2020	\$91.8	\$91.3	\$90.6	L+5.00%	0.8%	6.7%	Jun 2022	I/O
16	Senior	TX	Sep 2019	75.0	75.0	74.7	L+2.85%	2.0%	5.0%	Oct 2022	I/O
17	Senior	FL	June 2020	46.7	46.2	46.0	L+5.00%	0.8%	6.6%	Jun 2022	I/O
18	Senior	FL	Dec 2018	43.5	43.1	42.8	L+2.60%	2.4%	5.5%	Jan 2022	I/O
19	Senior	NJ	Mar 2020	41.0	41.0	40.7	L+3.05%	1.5%	4.9%	Mar 2022	I/O
20	Senior	KS	Oct 2019	35.8	35.8	35.5	L+3.25%	1.9%	5.5%	Nov 2022	I/O
21	Senior	NY	Dec 2017	30.2	30.2	30.1	L+3.20%	1.4%	4.9%	Dec 2020	I/O
22	Senior	PA	Dec 2018	30.2	29.3	29.2	L+3.00%	2.4%	5.9%	Dec 2021	I/O
23	Senior	TX	Sep 2017	27.5	27.5	27.5	L+3.20%	1.2%	4.9%	Oct 2020	I/O
24	Senior	WA	Feb 2020	19.0	18.6	18.4	L+3.00%	1.7%	5.1%	Mar 2023	I/O
25	Senior	SC	Aug 2019	34.6	2.1	1.8	L+6.50%	2.2%	14.2%	Sep 2022	I/O
Total Multifamily				\$475.3	\$440.1	\$437.3					

See footnotes on page 15.

# Loans Held for Investment Portfolio Details

(\$ in millions)

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield <sup>(12)</sup>	Maturity Date	Payment Terms <sup>(19)</sup>
Hotel Loans:											
26	Senior	OR/WA	May 2018	\$68.1	\$68.1	\$67.7	L+3.45%	1.9%	4.6% <sup>(20)</sup>	May 2021	I/O
27	Senior	Diversified	Sep 2018	64.3	60.8	60.6	L+3.60%	2.1%	6.2%	Sep 2021	I/O
28	Senior	CA	Dec 2017	40.0	40.0	39.9	L+4.12%	1.4%	5.9%	Jan 2021	I/O
29	Senior	MI	Nov 2015	35.2	35.2	35.2	L+4.40%	—%	4.6%	July 2020	I/O
30	Senior	IL	Apr 2018	32.9	32.9	32.6	L+4.40%	1.9%	—% <sup>(21)</sup>	May 2021	I/O
Total Hotel				\$240.5	\$237.0	\$236.0					
Mixed-Use Loans:											
31	Senior	FL	Feb 2019	\$100.6	\$100.6	\$100.2	L+4.25%	2.5%	7.8%	Feb 2021	I/O
32	Senior	CA	Mar 2018	56.1	50.9	50.6	L+4.00%	1.9%	6.2%	Apr 2022	I/O
33	Senior	TX	Sep 2019	42.2	34.7	34.4	L+3.75%	2.3%	6.7%	Sep 2022	I/O
34	Senior	CA	Feb 2020	39.6	20.8	20.4	L+4.10%	1.7%	6.4%	Mar 2023	I/O
35	Subordinated	IL	May 2018	15.5	15.5	15.3	L+12.25%	1.5%	14.5%	Nov 2021	I/O
Total Mixed-Use				\$254.0	\$222.5	\$220.9					
Student Housing Loans:											
36	Senior	TX	Dec 2017	\$41.0	\$41.0	\$40.9	L+4.75%	—%	5.5%	Jan 2021	I/O
37	Senior	CA	June 2017	41.0	39.7	39.7	L+3.95%	1.2%	5.2%	July 2021	I/O
38	Senior	NC	Feb 2019	30.0	30.0	29.9	L+3.15%	2.3%	5.9%	Feb 2022	I/O
39	Senior	TX	Dec 2017	25.1	24.6	24.3	L+3.45%	1.6%	5.5%	Feb 2023	I/O
40	Senior	AL	Feb 2017	24.1	24.1	23.3	L+4.45%	0.8%	—% <sup>(21)</sup>	Aug 2020	I/O
41	Senior	FL	Jul 2019	22.0	22.0	21.8	L+3.25%	2.3%	5.9%	Aug 2022	I/O
Total Student Housing				\$183.2	\$181.4	\$179.9					

See footnotes on page 15.

# Loans Held for Investment Portfolio Details

(\$ in millions)

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield <sup>(12)</sup>	Maturity Date	Payment Terms <sup>(19)</sup>
Industrial Loans:											
42	Senior	FL	Oct 2019	\$52.5	\$52.5	\$52.1	L+6.10%	2.1%	8.8%	Oct 2022	I/O
43	Senior	NY	Jan 2020	56.5	46.9	46.5	L+5.00%	1.6%	8.3%	Feb 2021	I/O
44	Senior	NC	May 2019	40.5	34.8	34.6	L+4.05%	1.6%	5.9%	Mar 2024	I/O
45	Senior	CA	Nov 2019	26.6	21.5	21.3	L+4.50%	1.9%	7.3%	Dec 2021	I/O
46	Senior	CA	Aug 2019	19.6	13.2	13.1	L+3.75%	2.0%	6.3%	Mar 2023	I/O
Total Industrial				\$195.7	\$168.9	\$167.6					
Residential/Condominium Loans:											
47	Senior	CA	Jan 2018	\$16.7	\$13.1	\$13.1	13.00%	—%	14.4%	Aug 2020	I/O
48	Subordinated	NY	Oct 2018	16.2	16.2	16.1	L+14.00%	2.3%	18.0%	May 2021	I/O
49	Subordinated	HI	Aug 2018	11.5	11.5	11.5	14.00%	—%	17.0%	Oct 2020	I/O
Total Residential/Condominium				\$44.4	\$40.8	\$40.7					
Self Storage Loans:											
50	Senior	FL	Feb 2019	\$19.5	\$19.5	\$19.4	L+3.50%	2.0%	6.0%	Mar 2022	I/O
Total Self Storage				\$19.5	\$19.5	\$19.4					
Loan Portfolio Total/Weighted Average				\$2,058.8	\$1,806.3	\$1,794.0		1.8% <sup>(22)</sup>	6.4%		

See footnotes on page 15.

# Consolidated Balance Sheets

	As of	
	June 30, 2020 (unaudited)	December 31, 2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,987	\$ 5,256
Restricted cash	—	379
Loans held for investment (\$525,817 and \$515,896 related to consolidated VIEs, respectively)	1,794,049	1,682,498
Current expected credit loss reserve	(26,063)	—
Loans held for investment, net of current expected credit loss reserve	1,767,986	1,682,498
Loans held for sale, at fair value	96,404	—
Real estate owned, net	37,693	37,901
Other assets (\$996 and \$1,309 of interest receivable related to consolidated VIEs, respectively; \$31,183 and \$41,104 of other receivables related to consolidated VIEs, respectively)	46,163	58,100
Total assets	<u>\$ 2,021,233</u>	<u>\$ 1,784,134</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Secured funding agreements	\$ 876,842	\$ 728,589
Notes payable	54,819	54,708
Secured term loan	109,588	109,149
Collateralized loan obligation securitization debt (consolidated VIE)	443,467	443,177
Secured borrowings	47,533	—
Due to affiliate	3,217	2,761
Dividends payable	11,072	9,546
Other liabilities (\$371 and \$718 of interest payable related to consolidated VIEs, respectively)	9,569	9,865
Total liabilities	<u>1,556,107</u>	<u>1,357,795</u>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2020 and December 31, 2019 and 33,441,937 and 28,865,610 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	329	283
Additional paid-in capital	497,054	423,619
Accumulated earnings (deficit)	(32,257)	2,437
Total stockholders' equity	<u>465,126</u>	<u>426,339</u>
Total liabilities and stockholders' equity	<u>\$ 2,021,233</u>	<u>\$ 1,784,134</u>

# Consolidated Statements of Operations

	For the Three Months Ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
(\$ in thousands, except share and per share data)					
<b>Revenue:</b>					
Interest income from loans held for investment	\$ 29,835	\$ 31,448	\$ 28,536	\$ 28,269	\$ 29,993
Interest expense	(13,042)	(15,534)	(15,044)	(15,124)	(16,675)
Net interest margin	16,793	15,914	13,492	13,145	13,318
Revenue from real estate owned	1,189	5,220	8,088	6,702	8,357
Total revenue	17,982	21,134	21,580	19,847	21,675
<b>Expenses:</b>					
Management and incentive fees to affiliate	2,152	1,773	1,959	1,578	2,252
Professional fees	660	903	641	542	532
General and administrative expenses	959	868	1,035	1,005	1,029
General and administrative expenses reimbursed to affiliate	1,038	1,051	764	831	771
Expenses from real estate owned	3,254	6,676	7,338	6,838	7,118
Total expenses	8,063	11,271	11,737	10,794	11,702
Provision for current expected credit losses	(4,007)	27,117	—	—	—
Unrealized losses on loans held for sale	3,998	—	—	—	—
<b>Income (loss) before income taxes</b>	9,928	(17,254)	9,843	9,053	9,973
Income tax expense, including excise tax	160	9	183	19	218
<b>Net income (loss) attributable to common stockholders</b>	<u>\$ 9,768</u>	<u>\$ (17,263)</u>	<u>\$ 9,660</u>	<u>\$ 9,034</u>	<u>\$ 9,755</u>
<b>Earnings (loss) per common share:</b>					
Basic earnings (loss) per common share	<u>\$ 0.29</u>	<u>\$ (0.54)</u>	<u>\$ 0.34</u>	<u>\$ 0.32</u>	<u>\$ 0.34</u>
Diluted earnings (loss) per common share	<u>\$ 0.29</u>	<u>\$ (0.54)</u>	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.34</u>
<b>Weighted average number of common shares outstanding:</b>					
Basic weighted average shares of common stock outstanding	33,316,933	31,897,952	28,640,363	28,634,514	28,599,282
Diluted weighted average shares of common stock outstanding	33,539,580	31,897,952	28,872,975	28,867,603	28,863,765
<b>Dividends declared per share of common stock<sup>(10)</sup></b>	<u>\$ 0.33</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>

See footnotes on page 15.

## Reconciliation of Net Income to Non-GAAP Core Earnings<sup>(8)</sup>

	For the Three Months Ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
(\$ in thousands, except per share data)					
Net income (loss) attributable to common stockholders	\$ 9,768	\$ (17,263)	\$ 9,660	\$ 9,034	\$ 9,755
Stock-based compensation	365	225	482	479	427
Incentive fees to affiliate	303	—	378	—	674
Depreciation of real estate owned	224	221	219	207	188
Provision for current expected credit losses	(4,007)	27,117	—	—	—
Unrealized losses on loans held for sale	3,998	—	—	—	—
<b>Core Earnings</b>	<b>\$ 10,651</b>	<b>\$ 10,300</b>	<b>\$ 10,739</b>	<b>\$ 9,720</b>	<b>\$ 11,044</b>
Net income (loss) attributable to common stockholders	\$ 0.29	\$ (0.54)	\$ 0.34	\$ 0.32	\$ 0.34
Stock-based compensation	0.01	0.01	0.02	0.02	0.01
Incentive fees to affiliate	0.01	—	0.01	—	0.02
Depreciation of real estate owned	0.01	0.01	0.01	0.01	0.01
Provision for current expected credit losses	(0.12)	0.85	—	—	—
Unrealized losses on loans held for sale	0.12	—	—	—	—
<b>Basic Core Earnings per common share</b>	<b>\$ 0.32</b>	<b>\$ 0.32</b>	<b>\$ 0.38</b>	<b>\$ 0.34</b>	<b>\$ 0.39</b>
Net income (loss) attributable to common stockholders	\$ 0.29	\$ (0.54)	\$ 0.33	\$ 0.31	\$ 0.34
Stock-based compensation	0.01	0.01	0.02	0.02	0.01
Incentive fees to affiliate	0.01	—	0.01	—	0.02
Depreciation of real estate owned	0.01	0.01	0.01	0.01	0.01
Provision for current expected credit losses	(0.12)	0.84	—	—	—
Unrealized losses on loans held for sale	0.12	—	—	—	—
<b>Diluted Core Earnings per common share</b>	<b>\$ 0.32</b>	<b>\$ 0.32</b>	<b>\$ 0.37</b>	<b>\$ 0.34</b>	<b>\$ 0.38</b>

See footnotes on page 15.

# Footnotes

1. Based on June 30, 2020 ending spot one month LIBOR rate of 0.16%.
2. As of August 5, 2020.
3. Excludes the U.S. Bank facility, which subsequent to quarter end was repaid in full and its term was not extended.
4. Excluding the CECL reserve.
5. Includes loans on non-accrual. 2% of loans held for investment are under forbearance agreements.
6. The portfolio assessment and risk levels have been classified according to the Company's proprietary methodology on a scale of 1.0 (lowest risk) to 5.0 (highest risk). The assumptions underlying this proprietary methodology are subject to change, may not prove to be true and actual risks may be different than the classifications presented herein. Accordingly, no representation or warranty is made in respect of this information.
7. Inclusive of \$4.0 million or \$0.12 per diluted common share current expected credit losses ("CECL") benefit offset by \$4.0 million or \$0.12 per diluted common share unrealized loss on loans transferred to held for sale.
8. The Company believes the disclosure of Core Earnings provides useful information to investors regarding the calculation of incentive fees the Company pays to its manager, Ares Commercial Real Estate Management LLC, and the Company's financial performance. Core Earnings is an adjusted non-GAAP 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. 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. Core Earnings is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), 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.
9. Excludes impact of loans on non-accrual status as of June 30, 2020. Including non-accrual loans, total weighted average Unleveraged Effective Yield for total loans held for investment and senior loans would be 6.4% and 6.0%, respectively.
10. There is no assurance dividends will continue at these levels or at all.
11. During the quarter ended June 30, 2020. Includes loans held for sale as of June 30, 2020.
12. 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. The total Weighted Average Unleveraged Effective Yield is calculated based on the average of Unleveraged Effective Yield of all loans held for investment by the Company as weighted by the outstanding principal balance of each loan.
13. Based on outstanding principal balance of loans held for investment.
14. Represents the estimated hypothetical increases/(decreases) in net income (loss) per diluted common share for a twelve month period, assuming (1) an immediate increase or decrease in 30-day LIBOR as of June 30, 2020 and (2) no change in the outstanding principal balance of the Company's loans held for investment portfolio and borrowings as of June 30, 2020. The analysis detailed herein represents the Company's perspective and is merely a mathematical illustration. These metrics are shown for illustrative purposes only and the terms and characteristics of such transactions are not necessarily indicative of every type of transaction entered into or arranged by the Company. Any future results may differ from those discussed herein. Accordingly, no representation or warranty is made in respect of this information.
15. Per diluted weighted average common shares of 33.540 million for the three months ended June 30, 2020.
16. Debt to equity ratio of 3.2x including CECL reserve.
17. Assumes exercise of extension options.
18. Represents total commitments. Ability to draw on available capacity is subject to available collateral and lender approvals.
19. I/O = interest only, P/I = principal and interest.
20. At origination, the Oregon/Washington loan was structured as both a senior and mezzanine loan with the Company holding both positions. The mezzanine position of this loan, which had an outstanding principal balance of \$13.1 million as of June 30, 2020, was on non-accrual status as of June 30, 2020 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
21. Loan was on non-accrual status as of June 30, 2020 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing.
22. The weighted average floor is calculated based on loans with LIBOR floors.

