

Ares Commercial Real Estate Corp  
Form 10-Q  
November 13, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period            to

Commission File No. 001-35517

**ARES COMMERCIAL REAL ESTATE CORPORATION**

(Exact name of Registrant as specified in its charter)

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

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

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

(Address of principal executive office) (Zip Code)

**(312) 252-7500**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

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Class  
Common stock, \$0.01 par value

Outstanding at November 12, 2013  
28,476,596

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(in thousands, except share and per share data)

	September 30, 2013 (unaudited)	As of	December 31, 2012
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,553		\$ 23,390
Restricted cash	21,894		3,210
Loans held for investment	692,325		353,500
Loans held for sale, at fair value	24,465		-
Mortgage servicing rights	60,878		-
Other assets	27,691		7,759
Total assets	\$ 839,806		\$ 387,859
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>LIABILITIES</b>			
Secured funding agreements	\$ 294,019		\$ 144,256
Warehouse lines of credit	13,821		-
Convertible notes	67,674		67,289
Allowance for loss sharing	19,530		-
Due to affiliate	2,958		1,320
Dividends payable	7,119		2,316
Other liabilities	24,038		7,240
Total liabilities	429,159		222,421
Commitments and contingencies (Note 8)			
<b>STOCKHOLDERS EQUITY</b>			
Preferred stock, par value \$0.01 per share, 50,000,000 shares authorized at September 30, 2013 and December 31, 2012, no shares issued and outstanding at September 30, 2013 and December 31, 2012	-		-
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2013 and December 31, 2012, 28,476,596 and 9,267,162 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	284		92
Additional paid in capital	419,251		169,200
Accumulated deficit	(8,888)		(3,854)
Total stockholders equity	410,647		165,438
Total liabilities and stockholders equity	\$ 839,806		\$ 387,859

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See accompanying notes to consolidated financial statements.

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## ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Net interest margin:</b>				
Interest income from loans held for investment	\$ 10,695	\$ 1,889	\$ 25,494	\$ 4,397
Interest expense (from secured funding agreements)	(1,995)	(398)	(5,260)	(1,090)
Net interest margin	8,700	1,491	20,234	3,307
<b>Mortgage banking revenue:</b>				
Servicing fees, net	503	-	503	-
Gains from mortgage banking activities	3,842	-	3,842	-
Provision for loss sharing	32	-	32	-
Total revenue	13,077	1,491	24,611	3,307
<b>Expenses:</b>				
Other interest expense	1,646	-	4,696	-
Management fees to affiliate	1,487	625	2,744	1,044