

Ares Commercial Real Estate Corp
Form 10-Q
August 04, 2016

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 June 30, 2016

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)

Maryland 45-3148087

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number)

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

(212) 750-7300
(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

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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 Smaller reporting company
(Do not check if a 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.

Class	Outstanding at August 2, 2016
Common stock, \$0.01 par value	28,513,137

ARES COMMERCIAL REAL ESTATE CORPORATION

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PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	As of June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash and cash equivalents (\$2 and \$8 related to consolidated VIEs, respectively)	\$5,309	\$5,066
Restricted cash	11,732	13,083
Loans held for investment (\$270,141 and \$483,572 related to consolidated VIEs, respectively)	1,142,967	1,174,391
Other assets (\$1,518 and \$2,695 of interest receivable related to consolidated VIEs, respectively; \$35,607 of other receivables related to consolidated VIEs as of December 31, 2015)	12,457	53,191
Assets of discontinued operations held for sale	159,606	133,251
Total assets	\$1,332,071	\$1,378,982
LIABILITIES AND EQUITY		
LIABILITIES		
Secured funding agreements	\$601,794	\$522,775
Secured term loan	70,205	69,762
Commercial mortgage-backed securitization debt (consolidated VIE)	—	61,815
Collateralized loan obligation securitization debt (consolidated VIE)	104,656	192,528
Due to affiliate	2,073	2,424
Dividends payable	7,413	7,152
Other liabilities (\$129 and \$299 of interest payable related to consolidated VIEs, respectively)	14,137	14,507
Liabilities of discontinued operations held for sale	77,496	51,531
Total liabilities	877,774	922,494
Commitments and contingencies (Note 7)		
EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2016 and December 31, 2015, 28,513,137 and 28,609,650 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	283	284
Additional paid-in capital	420,013	421,179
Accumulated deficit	(13,005)	(11,992)
Total stockholders' equity	407,291	409,471
Non-controlling interests in consolidated VIEs	47,006	47,017
Total equity	454,297	456,488
Total liabilities and equity	\$1,332,071	\$1,378,982

See accompanying notes to consolidated financial statements.

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,	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net interest margin:				
Interest income from loans held for investment	\$18,929	\$21,012	\$37,679	\$44,182
Interest expense	(8,415)	(8,701)	(16,940)	(18,879)
Net interest margin	10,514	12,311	20,739	25,303
Expenses:				
Management fees to affiliate	1,338	1,346	2,690	2,689
Professional fees	535	412	1,025	918
General and administrative expenses	686	647	1,409	1,446
General and administrative expenses reimbursed to affiliate	660	821	1,557	1,751
Total expenses	3,219	3,226	6,681	6,804
Income from continuing operations before income taxes	7,295	9,085	14,058	18,499