

Ares Commercial Real Estate Corp
Form SC 13D/A
June 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

Ares Commercial Real Estate Corporation

(Name of Issuer)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

04013V108

(CUSIP Number)

Monica J. Shilling, Esq.

Proskauer Rose LLP

2049 Century Park East, 32nd Floor

Los Angeles, CA 90067-3206

(310) 557-2900

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(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

June 26, 2013

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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CUSIP No. 04013V108

1. Names of Reporting Persons, I.R.S. Identification Nos. of above persons (entities only)
Ares Investments Holdings LLC
2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)
3. SEC Use Only
4. Source of Funds (See Instructions)
WC
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization
Delaware
- | | | |
|---|-----|--|
| Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With | 7. | Sole Voting Power
0 |
| | 8. | Shared Voting Power
2,000,000 (See Item 5) (1) |
| | 9. | Sole Dispositive Power
0 |
| | 10. | Shared Dispositive Power
2,000,000 (See Item 5) (1) |
11. Aggregate Amount Beneficially Owned by Each Reporting Person
2,000,000 (See Item 5) (1)
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11)
7.3% (See Item 5)
14. Type of Reporting Person (See Instructions)
OO

(1) The Reporting Persons (as defined in Item 2 hereof) hold 2,000,000 shares of Common Stock (as defined in Item 1 hereof). The Reporting Persons (other than Ares Investments Holdings LLC, with respect to the shares it holds directly) disclaim beneficial ownership of the securities reported herein and neither the filing of this Amendment No. 1 (as defined in Item 1 hereof) nor any of its contents shall be deemed to constitute an admission by any Reporting Person that it is the beneficial owner of any of the shares of Common Stock (as defined in Item 1 hereof) referred to herein for purposes of Section 13(d) of the Act, or for any other purpose, and such beneficial ownership is expressly disclaimed by the Reporting Persons.

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CUSIP No. 04013V108

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
Ares Investments LLC
 2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)	o
(b)	x
 3. SEC Use Only
 4. Source of Funds (See Instructions)
WC
 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) o
 6. Citizenship or Place of Organization
Delaware
- | | | |
|---|-----|--|
| Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With | 7. | Sole Voting Power
0 |
| | 8. | Shared Voting Power
2,000,000 (See Item 5) (1) |
| | 9. | Sole Dispositive Power
0 |
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OO

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CUSIP No. 04013V108

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
Ares Partners Management Company LLC
 2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)	o
(b)	x
 3. SEC Use Only
 4. Source of Funds (See Instructions)
WC
 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) o
 6. Citizenship or Place of Organization
Delaware
- | | | |
|---|-----|--|
| | 7. | Sole Voting Power
0 |
| Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With | 8. | Shared Voting Power
2,000,000 (See Item 5) (1) |
| | 9. | Sole Dispositive Power
0 |
| | 10. | Shared Dispositive Power
2,000,000 (See Item 5) (1) |
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2,000,000 (See Item 5) (1)
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 13. Percent of Class Represented by Amount in Row (11)
7.3% (See Item 5)
 14. Type of Reporting Person (See Instructions)
OO

(1) The Reporting Persons hold 2,000,000 shares of Common Stock. The Reporting Persons (other than Ares Investments Holdings LLC, with respect to the shares it holds directly) disclaim beneficial ownership of the securities reported herein, and neither the filing of this Amendment No. 1 nor any of its contents shall be deemed to constitute an admission by any Reporting Person that it is the beneficial owner of any of the shares of Common Stock referred to herein for purposes of Section 13(d) of the Act, or for any other purpose, and such beneficial ownership is expressly disclaimed by the Reporting Persons.

Item 1. Security and Issuer

This Amendment No. 1 (Amendment No. 1) to the Statement on Schedule 13D amends and supplements the Statement on Schedule 13D filed by the Reporting Persons (as defined below) on May 1, 2012 (the Original Schedule 13D, and, together with Amendment No. 1, the Schedule 13D), and relates to the common stock, par value \$0.01 per share (the Common Stock), of Ares Commercial Real Estate Corporation, a Maryland corporation (the Issuer). The address of the principal executive offices of the Issuer is One North Wacker Drive, 48th floor, Chicago, Illinois 60606.

This Amendment No. 1 is being filed to report that, as a result of an increase in outstanding shares of Common Stock due to the Offering (as defined in Item 4 hereof), the Common Stock beneficially owned by the Reporting Persons now represents 7.3% of the shares of Common Stock outstanding. The calculation of the percentages of shares of Common Stock set forth herein is based on an aggregate of 27,267,162 shares of Common Stock outstanding as of June 26, 2013, as reported in the Issuer s prospectus supplement dated June 20, 2013 and filed with the Securities and Exchange Commission on June 24, 2013 in accordance with the provisions of Rule 424(b)(5) of the Securities Act of 1933, as amended.

Except as specifically provided herein, this Amendment No. 1 does not modify any of the information previously reported on the Original Schedule 13D. Capitalized terms used but not otherwise defined in this Amendment No. 1 shall have the meanings ascribed to them in the Original Schedule 13D.

Item 4. Purpose of Transaction

On June 26, 2013, the Issuer sold an aggregate of 18,000,000 shares of Common Stock (not including 2,700,000 shares which may be issued and sold to the underwriters upon the exercise of the underwriters option to purchase additional shares) to a syndicate of underwriters in a firm commitment underwritten offering (the Offering). The Reporting Persons did not purchase any shares of Common Stock in the Offering.

The Reporting Persons consider the shares of Common Stock that they beneficially own as an investment made in the ordinary course of their respective businesses. The Reporting Persons review on a continuing basis AIH s investment in the Issuer. Based on such review, one or more of the Reporting Persons, individually or in the aggregate, from time to time, may acquire, or cause to be acquired, additional securities of the Issuer, dispose of, or cause to be disposed, such securities, enter into or unwind hedging or other derivative transactions with respect to such securities, pledge their interest in such securities as a means of obtaining liquidity or as credit support for loans for any purpose, or formulate other purposes, plans or proposals regarding the Issuer or any of its securities, in light of general investment and trading policies of the Reporting Persons, the Issuer s business, financial condition and operating results, general market and industry conditions or other factors. In addition, the Reporting Persons may exercise any and all of their rights in a manner consistent with their direct and indirect equity interests, contractual rights and restrictions and other duties, if any. These potential actions could involve one or more of the events referred to in paragraphs (a) through (j), inclusive, of Item 4 of the form Schedule 13D promulgated under the Act. In addition, from time to time the Reporting Persons and their representatives and advisers may communicate with each other and with other stockholders, industry participants and other interested parties concerning the Issuer.

Item 5. Interest in Securities of the Issuer

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(a) See items 11 and 13 of the cover pages to, and Item 2 of, this Schedule 13D for the aggregate number of shares of Common Stock and percentage of Common Stock beneficially owned by each of the Reporting Persons.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

In connection with the Offering, on June 17, 2013, AIH entered into a lock-up agreement (the "Lock-Up Agreement") with the underwriters whereby AIH agreed that, during a period of 60 days from June 20, 2013, AIH will not, without the prior written consent of Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any shares of the Issuer's Common Stock or preferred stock or other capital stock (collectively, "Capital Stock") or any securities convertible into or exercisable or exchangeable for Common Stock or other Capital Stock, whether now owned or hereafter acquired by such person or with respect to which such person has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities") or (ii) enter into any swap or any other agreement, arrangement or transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of the Lock-Up Securities, in each case whether any such swap or transaction is to be settled by delivery of Common Stock, other Capital Stock, other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing.

The foregoing summary of the Lock-Up Agreement contained in this Amendment No. 1 is qualified in its entirety by reference to the full text of the Lock-Up Agreement, which is attached hereto as Exhibit 1 and incorporated by reference to this Schedule 13D.

Item 7. Material to Be Filed as Exhibits

Exhibit 1 Lock-up Agreement, dated as of June 17, 2013, by Ares Investments Holdings LLC

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: June 26, 2013

ARES INVESTMENTS HOLDINGS LLC

/s/ Michael D. Weiner

By: Michael D. Weiner

Its: Authorized Signatory

ARES INVESTMENTS LLC

/s/ Michael D. Weiner

By: Michael D. Weiner

Its: Authorized Signatory

ARES PARTNERS MANAGEMENT COMPANY LLC

/s/ Michael D. Weiner

By: Michael D. Weiner

Its: Authorized Signatory

EXHIBIT INDEX

Exhibit 1 Lock-up Agreement, dated as of June 17, 2013, by Ares Investments Holdings LLC

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- These amounts represent the Company's net operating income from real estate operations generated by these
- a. properties and interest expense (accrued at the default rate) in 2015 that was associated with the properties' non-recourse secured indebtedness.
 - b. Represents debt and accrued interest in excess of the book value of the assets transferred.

The Company uses the non-GAAP financial measures described below in earnings press releases and information furnished to the Securities and Exchange Commission. The Company believes that these measures are helpful to investors in measuring its performance and comparing such performance to other real estate investment trusts ("REITs"). Since these measures exclude certain items includable in net income, reliance on the measures has limitations; management compensates for these limitations by using the measures simply as supplemental measures that are weighed in balance with other GAAP and non-GAAP measures. These measures are not necessarily indications of the Company's cash flow available to fund cash needs. Additionally, they should not be used as an alternative to the comparable GAAP measures when evaluating the Company's financial performance or to cash flow from operating, investing and financing activities when evaluating the Company's liquidity or ability to make cash distributions or pay debt service.

Funds from operations ("FFO" or "FFO per NAREIT")

Defined as net income (loss) computed using GAAP, excluding gains on sales of, and impairment losses on, previously depreciated operating properties and real estate-related depreciation and amortization. When multiple properties consisting of both operating and non-operating properties exist on a single tax parcel, the Company classifies all of the gains on sales of, and impairment losses on, the tax parcel as all being for previously depreciated operating properties when most of the value of the parcel is associated with operating properties on the parcel. The Company believes that it uses the National Association of Real Estate Investment Trust's ("NAREIT") definition of FFO, although others may interpret the definition differently and, accordingly, the Company's presentation of FFO may differ from those of other REITs. The Company believes that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains related to sales of, and impairment losses on, previously depreciated operating properties and excluding real estate-related depreciation and amortization, FFO can help one compare its operating performance between periods. The Company believes that net (loss) income is the most directly comparable GAAP measure to FFO.

Basic FFO available to common share and common unit holders (“Basic FFO”)

This measure is FFO adjusted to subtract (1) preferred share dividends, (2) income attributable to noncontrolling interests through ownership of preferred units in Corporate Office Properties, L.P. (the “Operating Partnership”) or interests in other consolidated entities not owned by the Company, (3) depreciation and amortization allocable to noncontrolling interests in other consolidated entities, (4) Basic FFO allocable to restricted shares and (5) issuance costs associated with redeemed preferred shares. With these adjustments, Basic FFO represents FFO available to common shareholders and holders of common units in the Operating Partnership (“common units”). Common units are substantially similar to the Company’s common shares of beneficial interest (“common shares”) and are exchangeable into common shares, subject to certain conditions. The Company believes that Basic FFO is useful to investors due to the close correlation of common units to common shares. The Company believes that net (loss) income is the most directly comparable GAAP measure to Basic FFO.

Diluted FFO available to common share and common unit holders (“Diluted FFO”)

Diluted FFO is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. The computation of Diluted FFO assumes the conversion of common units in the Operating Partnership but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Company believes that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. The Company believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted FFO.

Diluted FFO available to common share and common unit holders, as adjusted for comparability (“Diluted FFO, as adjusted for comparability”) and FFO, as adjusted for comparability

Defined as Diluted FFO or FFO adjusted to exclude: operating property acquisition costs; gains on sales of, and impairment losses on, properties other than previously depreciated operating properties, net of associated income tax; gain or loss on early extinguishment of debt; FFO associated with properties securing non-recourse debt on which the Company has defaulted and which the Company has extinguished, or expects to extinguish, via conveyance of those properties (including property net operating income, interest expense and gains on debt extinguishment); loss on interest rate derivatives; executive transition costs; and accounting charges for original issuance costs associated with redeemed preferred shares. The Company believes that the excluded items are not reflective of normal operations and, as a result, believes that a measure that excludes these items is a useful supplemental measure in evaluating operating performance. The adjustment for FFO associated with properties securing non-recourse debt on which the Company has defaulted pertains to the periods subsequent to its default on the loan’s payment terms, which is the result of its decision to not support payments on the loan. While the Company continues as the legal owner of the properties during this period, all cash flows produced by the properties go directly to the lender and the Company does not fund any debt service shortfalls. The Company believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure.

Diluted FFO per share (“FFOPS”)

FFOPS is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of FFOPS assumes the conversion of common units in the Operating Partnership but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Company believes that FFOPS is useful to investors because it provides investors with a further context for evaluating our FFO results in the same manner that investors use earnings per share (“EPS”) in evaluating net (loss) income available to common shareholders. The Company believes that diluted EPS is the most directly comparable GAAP measure to FFOPS.

FFOPS, as adjusted for comparability

Defined as (1) Diluted FFO available to common share and common unit holders, as adjusted for comparability divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of this measure assumes the conversion of common units in the Operating Partnership but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase the per share measure in a given period. As discussed above, the Company believes that the excluded items are not indicative of normal operations. As such, the Company believes that a measure that excludes these items is a useful supplemental measure in evaluating its operating performance. The Company believes that diluted EPS is the most directly comparable GAAP measure.

Net operating income (“NOI”) from real estate operations

NOI is real estate revenues from continuing and discontinued operations reduced by total property expenses associated with real estate operations, including discontinued operations; total property expenses, as used in this definition, do not include depreciation, amortization or interest expense associated with real estate operations. The Company believes that NOI is an important supplemental measure of operating performance for a REIT’s operating real estate because it provides a measure of the core real estate operations that is unaffected by depreciation, amortization, financing and general, administrative and leasing expenses; the Company believes this measure is particularly useful in evaluating the performance of geographic segments, same-office property groupings and individual properties. The Company believes that net income is the most directly comparable GAAP measure to NOI.

FORWARD LOOKING STATEMENTS

This Current Report on Form 8-K contains “forward looking” statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act that are based on the Company’s current expectations, estimates and projections about future events and financial trends affecting the financial condition of its business. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate. Although the Company believes that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, the Company can give no assurance that these expectations, estimates and projections will be achieved. Accordingly, actual results may differ materially from those addressed in the forward-looking statements. The Company cautions readers that forward-looking statements reflect the Company’s opinion only as of the date on which they were made. You should not place undue reliance on forward-looking statements. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations, estimates or projections expressed in forward-looking statements include, but are not limited to:

- general economic and business conditions, which will, among other things, affect office property and data center demand and rents, tenant creditworthiness, interest rates, financing availability and property values;
- adverse changes in the real estate markets including, among other things, increased competition with other companies;
- governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses, such as a reduction in rental revenues, non-renewal of leases, and/or a curtailment of demand for additional space by the Company’s strategic customers;
- the Company’s ability to borrow on favorable terms;

risks of real estate acquisition and development activities, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development or operating costs may be greater than anticipated;

risks of investing through joint venture structures, including risks that the Company's joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with the Company's objectives;

changes in the Company's plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of significant impairment losses;

the Company's ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;

the dilutive effects of issuing additional common shares;

the Company's ability to achieve projected results;

environmental requirements; and

the other factors described beginning on page 10 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 under the heading "Risk Factors."

The information included herein shall not be deemed "filed" for any purpose, including the purposes of Section 18 of the Exchange Act, or subject to liabilities of that Section. The information included herein shall also not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act regardless of any general incorporation language in such filing.

SIGNATURES

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

CORPORATE OFFICE PROPERTIES TRUST

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust,
its General Partner

/s/ Anthony Mifsud
Anthony Mifsud
Executive Vice President and Chief Financial
Officer

/s/ Anthony Mifsud
Anthony Mifsud
Executive Vice President and Chief Financial
Officer

Dated: September 2, 2015

Dated: September 2, 2015