



# Lument Finance Trust

Investor Presentation  
December 2020

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# Disclaimer

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This presentation, any related webcast/conference call, and other oral statements made by our representatives from time to time may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current views of Lument Finance Trust, Inc. (NYSE: LFT) (“LFT” or the “Company”) with respect to, among other things, the Company’s operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “indicator,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “projects,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. The Company believes these factors include but are not limited to those described under the section entitled “Risk Factors” in its Annual Report for fiscal year 2019 on Form 10-K and other periodic filings with the Securities and Exchange Commission (“SEC”), when evaluating these forward-looking statements. Additionally, many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the COVID-19 outbreak. It is not possible to predict or identify all such risks. Additional information concerning these and other risk factors are contained in our 2019 Form 10-K which is available on the SEC’s website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in the filings. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events or circumstances

This presentation includes non-GAAP financial measures within the meaning of Item 10(e) of Regulation S-K, as promulgated by the SEC. While we believe the non-GAAP information included in this presentation provides supplemental information to assist investors in analyzing our financials and to assist investors in comparing our results with other peer issuers, these measures are not in accordance with GAAP, and they should not be considered a substitute for, or superior to, our financial information calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results contained herein should be carefully evaluated

# Name & Ticker Change

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- On December 18th, 2020, the Company announced that it will change its name to Lument Finance Trust, Inc., effective December 28, 2020
- In addition to the new corporate name, the Company expects to change its ticker symbol on the NYSE to “LFT” and anticipates that trading under the new name and ticker symbol will commence on December 28, 2020
- This name change is a result of the rebranding of LFT’s manager, which occurred in October 2020, from “OREC Investment Management” to “Lument Investment Management”



# Company Overview

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- The Company is an externally-managed real estate investment trust focused on investing in, financing and managing a portfolio of commercial real estate debt investments
  - The Company is externally managed by Lument Investment Management, an affiliate of ORIX Corporation USA
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## Key Investment Highlights

### Strong Sponsorship/Ownership

- Access to extensive loan origination platform through affiliation with Lument, a premier national mortgage originator and asset manager
- Experienced management team with average of 23 years of industry experience across multiple economic cycles
- Affiliation with ORIX Corporation USA, an established international financial firm

### Attractive Investment Profile

- Emphasis on middle market multifamily investments which are well positioned for the current environment
- Strong credit and asset management capabilities with zero delinquencies or defaults during the COVID era
- Attractive financing sources via non-recourse, non mark-to-market CRE CLOs

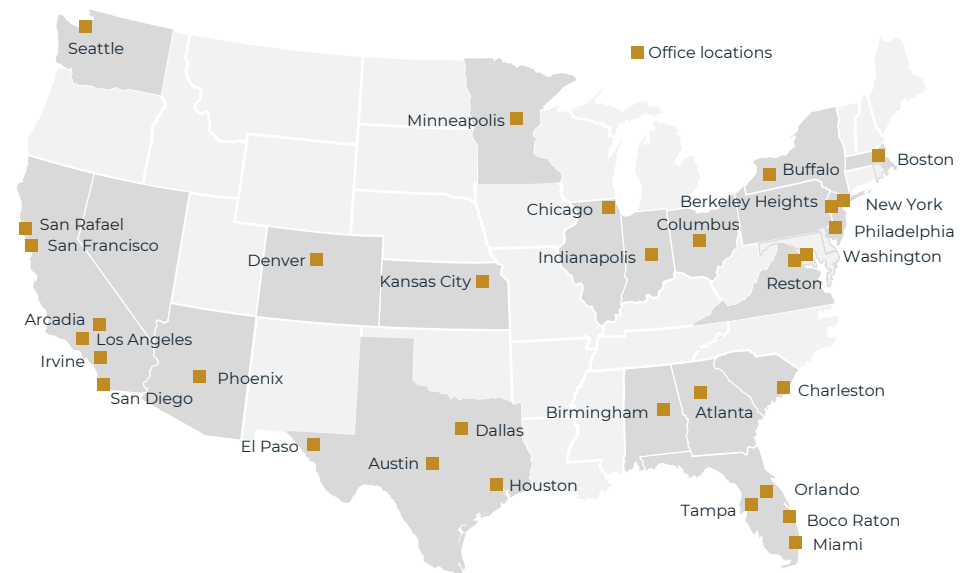
# Leveraging the Depth of the Lument Platform

The Company leverages Lument's broad platform and significant expertise when originating and underwriting investments

- Lument is a nationally recognized leader in multifamily and seniors housing and care finance
- Combining the industry expertise of legacy brands Hunt Real Estate Capital, RED Capital Group, and Lancaster Pollard, Lument offers a comprehensive set of custom capital solutions to its clients across commercial real estate with a strong focus in multifamily, affordable housing, and seniors housing and healthcare

## Significant Multifamily Expertise

- Top 10 non-bank multifamily lender\*
- \$46 billion servicing portfolio
- Top ranked FHA MAP lender, with over 880 loans closed totaling over \$7 billion in the past decade
- Lument's combined predecessor companies rank first in HUD senior housing and healthcare lending over the past decade, with more than 1,000 closings totaling over \$8.6 billion
- Top 3 Fannie Mae Small Loan lender (2019)
- Top 3 Fannie Mae Manufactured Housing Community (MHC) lender (2019)



# Lument: A Platform Built for the Benefit of Investors

## Diverse Opportunity Set via Lument Origination Platform

- 600+ employees across 25+ offices provide clients of Lument and its affiliates with a mix of markets, assets, and deal types that span the breadth of commercial and multifamily real estate
- Majority of deals are directly originated which creates differentiated access to investment opportunities

## Proprietary Underwriting and Proactive Surveillance

- Seasoned underwriting staff analyze opportunities on a deal-by-deal basis, and are further supported by a proprietary database of more than 20,000 deals
- “Boots-on-the-ground” approach to underwriting, surveillance, and asset management allows for:
  - Real-time intelligence that helps inform investment process
  - Enhanced view of trends and warning signals across markets and asset types
- Lument’s \$46+ billion servicing portfolio includes a Fitch-rated servicing unit

## Cradle-to-Grave Capital Source

- Robust borrower relationships combined with an efficient underwriting process allows Lument to be a go-to capital provider, which in turn keeps the Company’s pipeline of investment opportunities active and diverse
- Flexibility to act as a capital provider up and down the capital stack both reinforces value to borrower clients and offers a multitude of investment opportunities to the Company

## Backing from Well-Capitalized Parent Company

- Backing from ORIX Corporation USA, an established international parent
- ORIX Corporation (TSE: 8591 and NYSE: IX) operates in 37 countries and regions
- In-house operations, asset management, legal, compliance, HR, etc.

# Affiliation with ORIX

ORIX Corporation USA, a subsidiary of ORIX Corporation, is the parent of the Company's investment manager and is also a meaningful Company shareholder

## ORIX CORPORATION USA – AT A GLANCE

ORIX Corporation USA provides investment capital and asset management services to clients in the corporate, real estate and municipal finance sectors. ORIX USA and its family of companies have \$78 billion of assets under management, administration and servicing, including \$11 billion held by ORIX USA and its subsidiaries as of July 2020, and a team of more than 1,200 employees spanning offices across the U.S. and Brazil. Its parent company, ORIX Corporation, is a publicly owned, Tokyo-based international financial services company.

### Global Reach

- Operating in 37 countries and regions
- More than 2,100 locations
- Ranked No. 292 on 2020 Forbes Global 2000: World's Largest Public Companies

### Publicly Traded

- Listed on the Tokyo (8591) and New York (NYSE: IX) stock exchanges
- Approximately \$20 billion market capitalization as of March 2019

### Capital Reach

- Balance sheet assets exceeding \$100 billion
- Approximately \$400 billion in assets under management across the globe (As of March 2019)

### Rated

- Long-term debt credit rating of A- by S&P's, Fitch's and A3 by Moody's (As of April 2020)





# Lument: Experienced Leadership Team

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**JAMES FLYNN**

Director & CEO, Lument Finance Trust  
Chief Executive Officer, Lument



**MIKE LARSEN**

President, Lument Finance Trust  
Chief Operating Officer, Lument



**JAMES BRIGGS**

CFO, Lument Finance Trust  
Chief Accounting Officer, Lument



**PRECILLA TORRES**

Head of Real Estate Investment  
Strategies, Lument



**VIC CLARK**

Head of Conventional  
Multifamily Production,  
Lument



**BARRY FULLER**

Head of Loan Servicing and  
Asset Management, Lument



**MEGAN GOODFELLOW**

Chief Credit Officer, Real Estate  
Investment Strategies, Lument



**JAMES HENSON**

General Counsel, Lument



# Lument Finance Trust: Target Investments

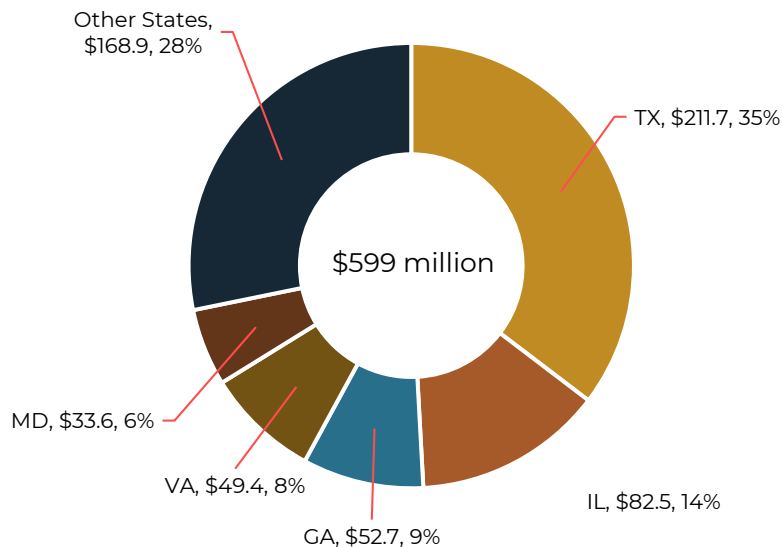
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Loan Size	\$5 million to \$50+ million
Collateral	Primarily first lien real estate debt on stabilized or transitional assets
Property Type	Multifamily, retail, office, industrial, and self storage
Geographies	Within the United States
Loan to Value	Typically up to 80% LTC / up to 75% of stabilized value
Rate	LIBOR + 3.00% and higher
Term	3 to 5 years
Amortization	Typically interest only
Recourse	Typically non-recourse except for standard carve-outs

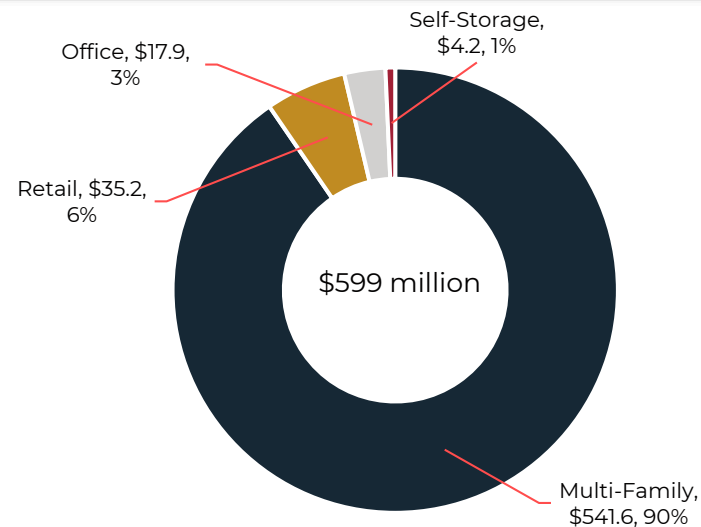
# Lument Finance Trust: Investment Portfolio

- As of Q3 2020, the Company owned a portfolio of floating-rate CRE loans with an aggregate UPB of \$599 million. 90% of the portfolio was invested in loans backed by multifamily assets
- The Company anticipates that the majority of loan activity will continue to be related to multifamily assets. The Company does not own any hospitality assets and has limited exposure to retail and office properties
- LIBOR floors exist on 100% of the loans in the Portfolio
- During the “COVID era,” the Company has not granted a single forbearance nor has it experienced a single loan default

## Geographic Concentration<sup>(1)</sup>



## Property Type<sup>(1)</sup>

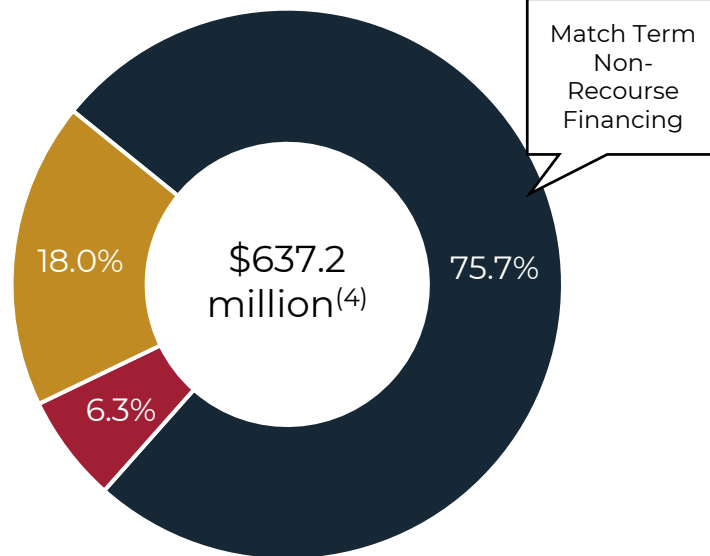


Note: (1) \$ In millions

# Lument Finance Trust: Capital Structure Overview

- The Company does not currently utilize repurchase or warehouse facility financing and therefore is not subject to margin calls on any of its assets from repo or warehouse lenders
- Primary sources of debt financing are two match-term non-MTM CRE CLOs as well as a corporate term loan

## Capital Structure Composition



■ CLO Financing ■ Term Loan ■ Common Equity

## Capital Structure Detail

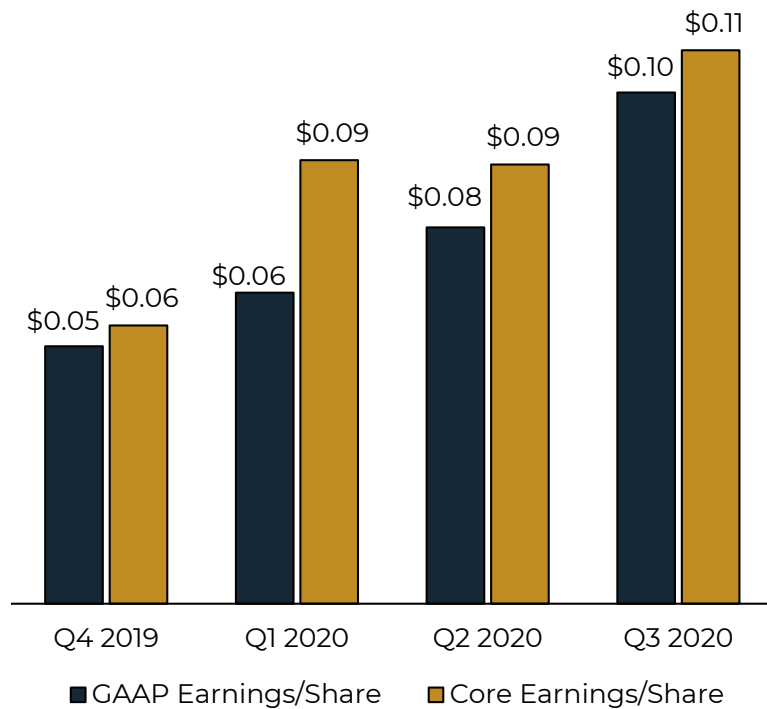
(\$ in millions)

<u>Collateralized Loan Obligations</u>	<u>Rate</u>	<u>Advance Rate</u>	<u>Amount</u>
Hunt CRE 2017-FL1 <sup>(1)</sup>	L + 1.42%	81.8%	\$263.0
Hunt CRE 2018-FL2 <sup>(1)</sup>	L + 1.44%	77.0%	\$219.4
<b>Total Collateralized Loan Obligations</b>	<b>L + 1.43%</b>		<b>\$482.4</b>
<u>Credit Facilities</u>			
Term Loan <sup>(2)</sup>	<b>7.25%</b>		<b>\$40.3</b>
<b>Total Debt</b>			<b>\$522.7</b>
<u>Equity</u>			
<b>Book Value of Common Equity<sup>(3)</sup></b>			<b>\$114.5</b>
<b>Total Capitalization<sup>(4)</sup></b>			<b>\$637.2</b>

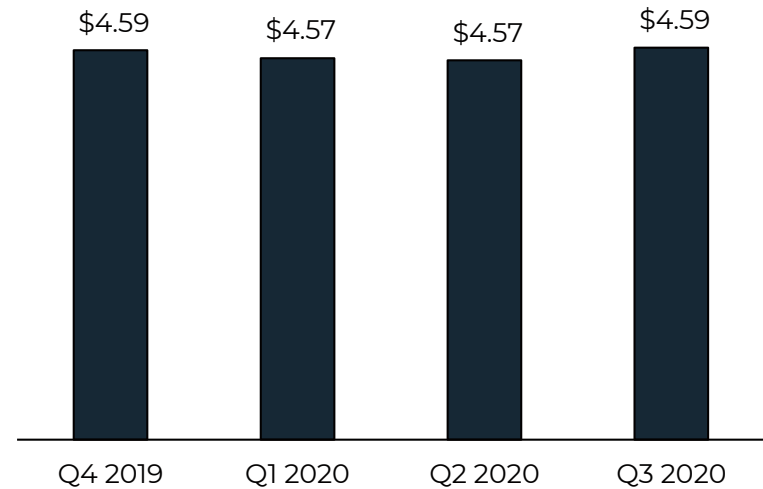
Note: (1) CLO financing shown at par value. GAAP carrying value of \$479.7 million includes \$0.5 million of unamortized discounts for Hunt CRE 2017-FL1 and \$2.3 million of unamortized debt issuance costs for Hunt CRE 2018-FL2  
 (2) Term loan shown at par value. GAAP carrying value of \$39.5 million includes \$0.7 million of unamortized debt issuance costs  
 (3) Noncontrolling interest was \$99,500 as of 9/30/2020 and is included in common equity above  
 (4) LFT total capitalization is a non-GAAP measure which excludes certain Balance Sheet items; Please see Appendix for reconciliation to GAAP

# Track Record of EPS Growth and Book Value Stability

## GAAP Earnings & Core Earnings Per Share of Common Stock



## Book Value Per Share



# Conclusion

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# LUMENT

## FINANCE TRUST

### Key Investment Highlights

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# Appendix

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## Q3 2020 Financial Updates

# Q3 2020 Key Updates

## Financial Results

- Q3 2020 GAAP Net Income of \$2.55 million, or \$0.10 per share
- Q3 2020 Core Earnings of \$2.76 million, or \$0.11 per share
- Q3 2020 Book Value Per Share of \$4.59

## Highlights

- As previously announced, the Company increased the quarterly dividend by 13% from \$0.075 per share to \$0.085 per share with respect to Q3
- During Q3 2020, the Company acquired and/or funded \$10.6 million of new loans and participations at a weighted average spread of LIBOR + 4.16%
  - The weighted-average LIBOR floor of the Q3 acquisitions was 1.08%
  - 100% of the new acquisitions were multifamily assets
  - The Company experienced \$21.5 million of loan payoffs during the quarter. \$9.2 million of these loans were held in FL1, which is past its reinvestment period, and \$12.3 million in FL2

## Investment Portfolio Overview

- As of 9/30/2020, 99.8% of LFT's investment portfolio consisted of floating-rate CRE loans
  - The \$598.9 million CRE loan portfolio had a weighted average remaining term of 14 months<sup>(1)</sup> and a weighted average coupon of L + 3.54%
  - The portfolio had a weighted-average LIBOR floor of 1.61%
  - Over 90% of the portfolio was multifamily
- The Company's only legacy investment consists of \$1.1 million of mortgage servicing rights

## Capitalization

- The floating-rate CRE loan portfolio is financed with \$482.4 million of investment grade notes issued through two CRE CLOs
- As of 9/30/2020, the Company had \$9.7 million of unrestricted cash and \$14.5 million of available CLO reinvestment capacity

Note: (1) If all extensions are exercised by the borrowers, the CRE loan portfolio will have a weighted average remaining term of 38 months



# Q3 2020 Income Statement Summary

Summary Income Statement (thousands)	Three Months Ended September 30, 2020	GAAP Comprehensive Income to Core Earnings Reconciliation (thousands)	Three Months Ended September 30, 2020
Net interest income	\$4,832	Comprehensive income attributable to common stockholders	\$2,547
Total other income (loss)	(162)	Adjustments:	
Operating expenses	(2,261)	Unrealized losses (gains) on mortgage servicing rights	350
Benefit (provision) from income taxes	143	Recognized compensation expense related to restricted stock	3
Preferred dividends	(4)	Adjustment for (provision for) income taxes	(143)
Net income attributable to common stockholders	\$2,547	Core earnings <sup>(1)</sup>	\$2,758
Reclassification adjustment for net gain (loss) included in net income	0	Weighted average shares outstanding during the period	24,943,383
Comprehensive income attributable to common stockholders	\$2,547	Core earnings per share	\$0.11
Weighted average shares outstanding during the period	24,943,383	Dividend per share	\$0.085
Net income per share	\$0.10		
Comprehensive income per share	\$0.10		

Note: (1) See Appendix for definition of Core Earnings per the Management Agreement

# Q3 2020 Balance Sheet Summary

Balance Sheet (thousands)	Q3 2020
Commercial mortgage loans held-for-investment	\$598,933
Mortgage servicing rights, at fair value	1,097
Cash and cash equivalents	9,720
Restricted cash <sup>(1)</sup>	14,549
Investment related receivable <sup>(2)</sup>	9,247
Accrued interest receivable	2,280
Other assets	2,000
<b>Total assets</b>	<b>\$637,828</b>
Collateralized loan obligations <sup>(3)</sup>	\$479,705
Credit facility	39,513
Other liabilities	4,132
<b>Total liabilities</b>	<b>\$523,349</b>
<b>Total equity</b>	<b>\$114,478</b>
<b>Total liabilities / total equity</b>	<b>4.57x</b>
<b>Book value per share</b>	<b>\$4.59</b>

Note:

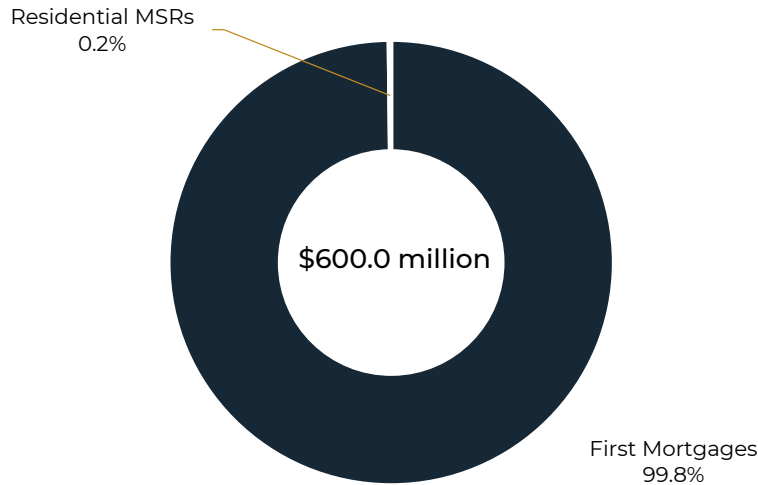
(1) Restricted cash held by CRE CLO securitization trusts and available for investment in eligible mortgage assets

(2) Investment related receivable includes 1 unsettled loan in Hunt CRE 2017-FL1 with a principal amount due of \$9.2 million which will be used to pay down the Class A Notes of the CLO

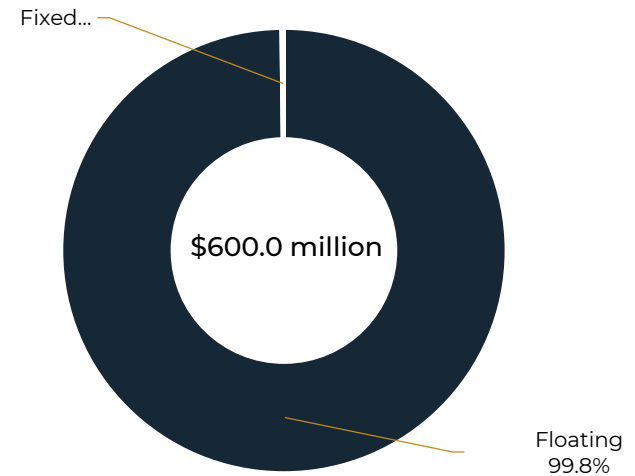
(3) Outstanding notional amount of bonds issued from both CLOs is \$482.4 million. For GAAP purposes, these liabilities are carried at their outstanding unpaid principal balance, net of any unamortized discounts and debt issuance costs

# Q3 2020 Summary of Investment Portfolio

## Investment Type



## Interest Rate Type



Investment Portfolio as of  
September 30, 2020  
(thousands)

	UPB / Notional	Net Carrying Value	Weighted Average Coupon	Weighted Average Remaining Term (months)	Weighted Average LTV at Loan Origination	Weighted Average Stabilized LTV at Loan Origination
First Mortgages	\$598,933	\$598,933	L + 3.54%	14 <sup>(1)</sup>	74.24%	69.36%
Residential MSRs	\$239,180	\$1,097	0.25%	274 <sup>(2)</sup>		
<b>Total</b>	<b>\$838,113</b>	<b>\$600,030</b>				

Note:

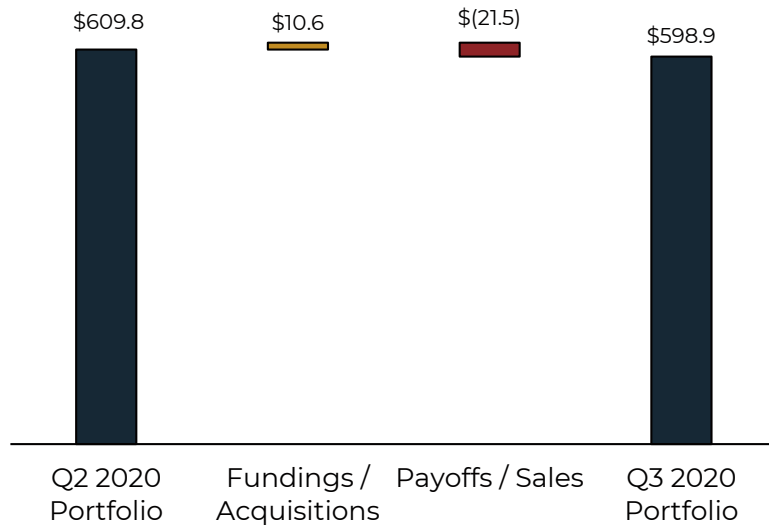
(1) If all extensions are exercised by the borrowers, the CRE loan portfolio will have a weighted average remaining term of 38 months

(2) The weighted average remaining term of the residential MSR portfolio is based on the maturity dates of the underlying residential loan pool and excludes the impact of potential borrower prepayments. We anticipate that the weighted average remaining life of the portfolio to be less than 274 months

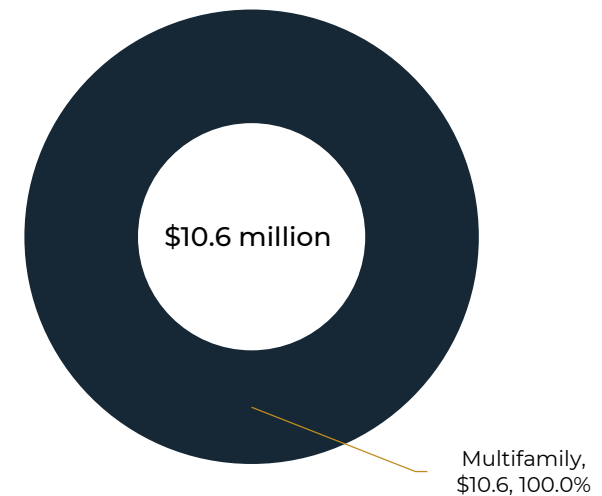
# Q3 2020 Balance Sheet Summary

- The CRE loan portfolio decreased by \$10.9 million in Q3
- The Company acquired \$9.5 million of loans at par from an affiliate of the Manager and funded an additional \$1.1 million of future funding participations
- The Company experienced \$21.5 million of payoffs, \$9.2 million of which was held in FL1 which is past its reinvestment period and \$12.3 million in FL2

## Net Funding Activity<sup>(1)</sup>



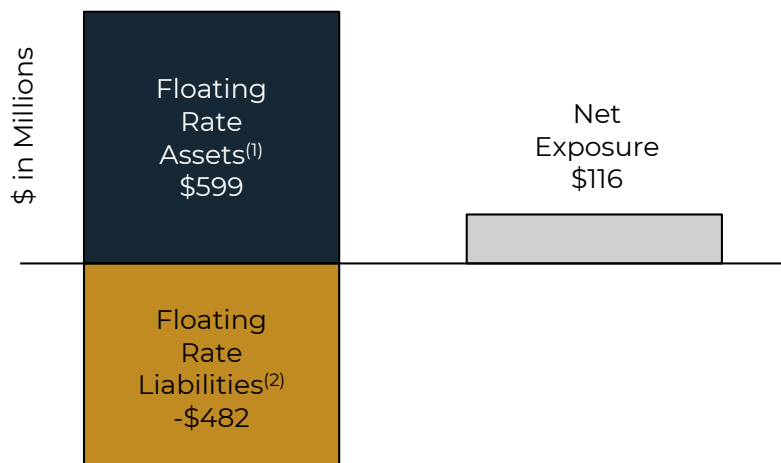
## Q3 2020 Loan Acquisitions<sup>(1)</sup>



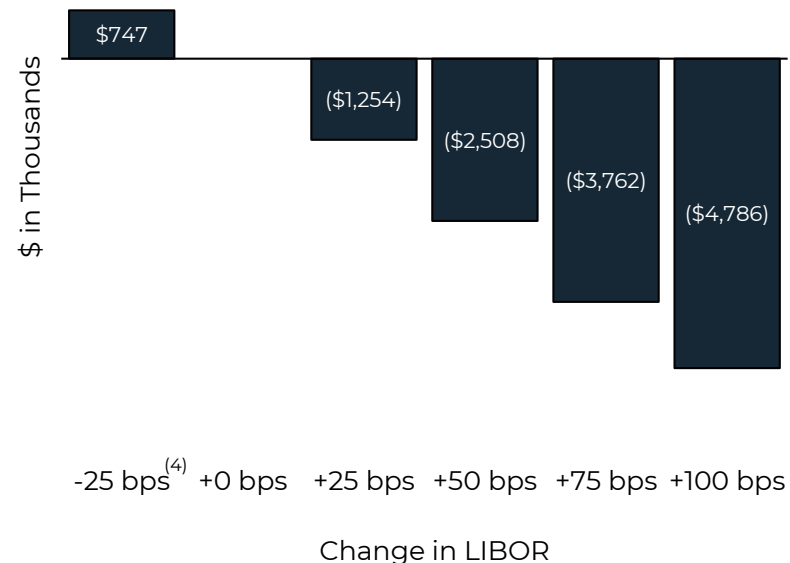
Note: (1) \$ In millions

# Interest Rate Sensitivity as of September 30, 2020

## Floating-Rate Exposure



## Annual Net Interest Income Sensitivity to Shifts in One-Month LIBOR<sup>(3)</sup>



# 9/30/2020 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread <sup>(1)</sup>	Initial Term (months)	As-Is LTV at Origination <sup>(2)</sup>
1	Loan 1	6/5/2018	6/4/2021	Multi-Family	Palatine	IL	35,625,000	4.30%	37	68.50%
2	Loan 2	11/30/2018	12/6/2020	Multi-Family	Nacogdoches	TX	35,441,348	4.05%	24	70.39%
3	Loan 3	7/9/2018	8/6/2021	Multi-Family	Pikesville	MD	33,650,982	3.25%	36	77.59%
4	Loan 4	8/8/2018	8/6/2021	Multi-Family	Dallas	TX	32,526,660	3.65%	36	81.23%
5	Loan 5	11/22/2019	8/6/2022	Multi-Family	Virginia Beach	VA	26,500,000	2.75%	33	77.10%
6	Loan 6	5/18/2018	6/4/2021	Multi-Family	Woodridge	IL	25,355,116	3.75%	37	76.43%
7	Loan 7	12/10/2019	7/6/2022	Multi-Family	San Antonio	TX	24,540,507	3.15%	30	71.90%
8	Loan 8	1/15/2020	7/6/2022	Multi-Family	Chattanooga	TN	24,180,000	2.95%	30	80.60%
9	Loan 9	5/31/2018	6/6/2021	Multi-Family	Omaha	NE	20,853,067	3.70%	37	77.26%
10	Loan 10	11/26/2019	12/6/2021	Multi-Family	Doraville	GA	20,000,000	2.75%	25	76.10%
11	Loan 11	12/6/2018	12/6/2021	Multi-Family	Greensboro	NC	18,703,039	3.35%	37	79.78%
12	Loan 12	12/28/2018	1/6/2022	Retail	Austin	TX	18,000,000	3.90%	37	71.40%
13	Loan 13	7/10/2019	8/6/2022	Multi-Family	Amarillo	TX	17,754,112	2.90%	37	76.37%
14	Loan 14	12/28/2018	1/6/2022	Retail	Austin	TX	17,172,624	4.10%	37	60.50%
15	Loan 15	3/13/2019	4/6/2022	Multi-Family	Baytown	TX	16,707,856	3.10%	37	80.47%
16	Loan 16	6/28/2018	7/6/2021	Multi-Family	Greenville	SC	15,245,253	3.90%	37	76.29%
17	Loan 17	8/29/2019	8/6/2022	Multi-Family	Austell	GA	14,632,203	3.40%	36	72.50%
18	Loan 18	7/23/2018	8/6/2021	Office	Chicago	IL	12,828,794	3.75%	37	72.74%
19	Loan 19	8/8/2019	8/6/2022	Multi-Family	Fort Worth	TX	12,649,099	3.00%	36	75.83%
20	Loan 20	1/9/2018	2/6/2021	Multi-Family	North Highlands	CA	10,158,934	3.95%	37	79.03%
21	Loan 21	3/29/2019	4/6/2021	Multi-Family	Portsmouth	VA	10,000,000	3.25%	25	61.35%
22	Loan 22	5/25/2018	6/6/2021	Multi-Family	Phoenix	AZ	9,794,371	3.90%	37	69.41%

Continued on the following page

Note:

(1) All loan spreads are indexed to one-month LIBOR

(2) LTV as of the date the loan was originated by an affiliate. LTV has not been updated for any subsequent draws or loan modifications and is not reflective of any changes in value which may have occurred subsequent to the origination date

# 9/30/2020 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread <sup>(1)</sup>	Initial Term (months)	As-Is LTV at Origination <sup>(2)</sup>
23	Loan 23	9/10/2020	4/6/2021	Multi-Family	Winchester	OH	9,527,000	4.25%	7	61.90%
24	Loan 24	9/11/2019	10/6/2022	Multi-Family	Orlando	FL	9,135,000	2.80%	37	69.20%
25	Loan 25	2/15/2018	3/6/2021	Multi-Family	Atlanta	GA	9,047,396	4.25%	37	80.21%
26	Loan 26	8/30/2018	9/6/2021	Multi-Family	Blacksburg	VA	8,675,645	3.85%	37	66.55%
27	Loan 27	3/12/2018	4/6/2021	Multi-Family	Waco	TX	8,612,000	4.75%	37	72.90%
28	Loan 28	1/18/2019	2/6/2021	Multi-Family	Philadelphia	PA	8,238,438	3.95%	25	71.31%
29	Loan 29	8/7/2018	9/6/2021	Multi-Family	Birmingham	AL	8,235,825	3.50%	38	78.01%
30	Loan 30	2/23/2018	3/6/2021	Multi-Family	Little Rock	AR	8,070,000	4.25%	37	81.29%
31	Loan 31	1/13/2020	2/6/2022	Multi-Family	Fort Lauderdale	FL	7,930,194	3.15%	25	78.40%
32	Loan 32	11/13/2019	12/6/2021	Multi-Family	Holly Hill	FL	7,780,000	2.90%	25	77.80%
33	Loan 33	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	6,525,817	3.40%	37	77.70%
34	Loan 34	12/9/2019	1/6/2022	Multi-Family	Fort Worth	TX	6,230,000	3.15%	25	77.70%
35	Loan 35	3/29/2019	4/6/2021	Multi-Family	Raleigh	NC	5,992,424	3.50%	25	79.03%
36	Loan 36	8/28/2019	8/6/2022	Multi-Family	Austin	TX	5,966,157	3.25%	36	69.90%
37	Loan 37	6/22/2018	7/6/2021	Multi-Family	Chicago	IL	5,900,550	4.10%	37	80.53%
38	Loan 38	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	5,295,605	2.90%	37	62.92%
39	Loan 39	12/13/2019	1/6/2022	Multi-Family	Jacksonville	FL	5,070,339	2.90%	25	74.90%
40	Loan 40	11/30/2018	11/6/2021	Office	Decatur	GA	5,036,066	4.10%	36	56.80%
41	Loan 41	5/31/2019	6/6/2022	Multi-Family	Austin	TX	4,275,035	3.50%	37	74.09%
42	Loan 42	11/12/2019	12/6/2021	Self-Storage	Chesapeake	VA	4,225,000	3.15%	25	64.50%
43	Loan 43	12/13/2019	1/6/2022	Multi-Family	Marietta	GA	4,010,000	3.00%	25	77.90%
44	Loan 44	6/5/2018	6/4/2021	Multi-Family	Palatine	IL	2,835,666	4.30%	37	68.50%
<b>Total / Average</b>							<b>598,933,122</b>	<b>3.54%</b>	<b>33</b>	<b>74.24%</b>

Note: (1) All loan spreads are indexed to one-month LIBOR  
(2) LTV as of the date the loan was originated by an affiliate. LTV has not been updated for any subsequent draws or loan modifications and is not reflective of any changes in value which may have occurred subsequent to the origination date



# Consolidated Balance Sheets

	September 30, 2020 <sup>(1)</sup> (unaudited)	December 31, 2019 <sup>(1)</sup>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,720,138	\$ 10,942,115
Restricted cash	14,548,916	5,069,715
Commercial mortgage loans held-for-investment, at amortized cost	598,933,122	635,260,420
Mortgage servicing rights, at fair value	1,097,154	2,700,207
Deferred offering costs	—	40,000
Accrued interest receivable	2,280,494	2,342,354
Investment related receivable	9,247,423	—
Other assets	2,000,279	1,547,187
Total assets	<u>\$ 637,827,526</u>	<u>\$ 657,901,998</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Collateralized loan obligations, net	479,704,710	505,930,065
Secured term loan, net	39,512,924	39,384,041
Accrued interest payable	411,609	805,126
Dividends payable	2,123,980	1,776,912
Fees and expenses payable to Manager	1,115,577	991,981
Other accounts payable and accrued expenses	480,562	369,161
Total liabilities	<u>523,349,362</u>	<u>549,257,286</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTES 11 &amp; 12)</b>		
<b>EQUITY:</b>		
Common Stock: par value \$0.01 per share; 450,000,000 shares authorized, 24,943,383 and 23,692,164 shares issued and outstanding, at September 30, 2020 and December 31, 2019, respectively	249,389	236,877
Additional paid-in capital	233,847,322	228,135,116
Cumulative distributions to stockholders	(128,109,631)	(122,236,981)
Accumulated earnings	8,391,584	2,410,200
Total stockholders' equity	114,378,664	108,545,212
Noncontrolling interests	\$ 99,500	\$ 99,500
Total equity	<u>\$ 114,478,164</u>	<u>\$ 108,644,712</u>
Total liabilities and equity	<u>\$ 637,827,526</u>	<u>\$ 657,901,998</u>

(1) Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs") as the Company was the primary beneficiary of these VIEs. As of September 30, 2020 and December 31, 2019, assets of consolidated VIEs related to Hunt CRE 2017-FL1, Ltd. and Hunt CRE 2018-FL2, Ltd. totaled \$608,690,756 and \$636,541,489, respectively and the liabilities of consolidated VIEs related to Hunt CRE 2017-FL1, Ltd. and Hunt CRE 2018-FL2, Ltd. totaled \$480,043,366 and \$506,662,238 respectively. See Note 5 for further discussion.

# Consolidated Statement of Income

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Revenues:</b>				
Interest income:				
Commercial mortgage loans held-for-investment	\$ 8,111,324	\$ 9,825,455	\$ 25,749,282	\$ 30,018,760
Multi-family loans held in securitization trusts	—	—	—	78,361
Cash and cash equivalents	5,674	6,551	41,461	6,551
Interest expense:				
Collateralized loan obligations	(2,495,996)	(5,244,001)	(9,649,523)	(16,147,178)
Secured term loan	(789,018)	(792,121)	(2,349,900)	(1,907,348)
Net interest income	4,831,984	3,795,884	13,791,320	12,049,146
<b>Other loss:</b>				
Realized (loss) on investments, net	—	—	—	(709,439)
Unrealized (loss) on mortgage servicing rights	(350,127)	(444,860)	(1,603,052)	(1,283,977)
Unrealized gain on multi-family loans held in securitization trusts	—	—	—	694,339
Servicing income, net	187,989	243,265	586,516	676,944
Other income	—	—	2	—
Total other (loss)	(162,138)	(201,595)	(1,016,534)	(622,133)
<b>Expenses:</b>				
Management and incentive fees	675,107	557,833	1,850,139	1,677,456
General and administrative expenses	786,651	904,413	2,531,385	3,266,757
Operating expenses reimbursable to Manager	441,349	175,174	1,249,123	1,232,211
Other operating expenses	309,125	19,212	1,444,049	204,228
Compensation expense	49,199	46,585	156,093	146,672
Total expenses	2,261,431	1,703,217	7,230,789	6,527,324
Net income before provision for income taxes	2,408,415	1,891,072	5,543,997	4,899,689
Benefit from income taxes	142,595	266,676	437,387	126,996
Net income	2,551,010	2,157,748	5,981,384	5,026,685
Dividends to preferred stockholders	(3,792)	(3,792)	(11,292)	(488,056)
Deemed dividend on preferred stock related to redemption	—	—	—	(3,093,028)
Net income attributable to common stockholders	\$ 2,547,218	\$ 2,153,956	\$ 5,970,092	\$ 1,445,601
<b>Earnings per share:</b>				
Net income attributable to common stockholders (basic and diluted)	\$ 2,547,218	\$ 2,153,956	\$ 5,970,092	\$ 1,445,601
Weighted average number of shares of common stock outstanding	24,943,383	23,687,664	24,931,524	23,687,664
Basic and diluted income per share	\$ 0.10	\$ 0.09	\$ 0.24	\$ 0.06
Dividends declared per share of common stock	\$ 0.09	\$ 0.08	\$ 0.24	\$ 0.22

# Reconciliation of GAAP to Core Earnings

GAAP to Core Earnings Reconciliation	Three Months Ended September 30, 2020
<i>Reconciliation of GAAP to non-GAAP Information</i>	
Net Income (loss) attributable to common shareholders	\$2,547,218
<i>Adjustments for non-core earnings</i>	
Unrealized (Gain) Loss on mortgage servicing rights	350,127
Subtotal	350,127
<i>Other Adjustments</i>	
Recognized compensation expense related to restricted common stock	2,949
Adjustment for (provision for) income taxes	(142,595)
Subtotal	(139,646)
Core Earnings	\$2,757,699
Weighted average shares outstanding – Basic and Diluted	24,943,383
Core Earnings per weighted share outstanding – Basic and Diluted	\$0.11

# Detailed Walk of Capitalization

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*(in 000's)*

Total GAAP liabilities and stockholders' equity

9/30/2020

\$637,828

*Adjustments for Capitalization*

( - ) Accrued interest payable

(412)

( - ) Dividends payable

(2,124)

( - ) Fees and expenses payable to Manager

(1,116)

( - ) Other accounts payable and accrued expenses

(209)

( + ) Other capitalized financing & issuance costs

3,401

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HCFT Capitalization

\$637,169

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# Key Definitions

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“Core Earnings” means the net income (loss) attributable to the holders of Common Shares or, without duplication, owners of the Company’s Subsidiaries, computed in accordance with GAAP, including realized losses not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) incentive compensation payable to the Manager, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items after discussions with the Company’s board of directors and approval by a majority of the Company’s independent directors.

“Stockholders’ Equity” means: (a) the sum of the net proceeds from any issuances of the Company’s equity securities (excluding preferred securities solely for purposes of Incentive Compensation but including preferred securities for all other purposes of this Agreement) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance; plus (b) the Company’s retained earnings at the end of such fiscal quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods); less (c) any amount that the Company pays for repurchases of its Common Shares; and (d) excluding (i) any unrealized gains, losses or other non-cash items that have impacted the Company’s Stockholders’ Equity as reported in the Company’s financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (ii) adjustments relating to one-time events pursuant to changes in GAAP and certain other noncash charges after discussions with the Company’s board of directors and approval by a majority of the Company’s independent directors.



December 2020

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