

## Lument Finance Trust, Inc.

### Related Party Transaction Policy and Procedures

#### I. Introduction

Lument Finance Trust, Inc. (the “**Company**”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about the whether such transactions are consistent with the Company’s and its stockholders’ best interests. Therefore, this policy regarding Related Party Transactions has been adopted by the Company’s Board of Directors in order to set forth: (i) the guidelines under which certain transactions must be reviewed and approved or ratified by the Audit Committee of the Board of Directors; and (ii) the disclosure requirements for Related Party Transactions. This policy should be read in conjunction with the Company’s Code of Business Conduct and Ethics (the “**Code of Ethics**”); however, in the event of a conflict between this policy and the Code of Ethics, the terms of this policy shall prevail.

In addition to this policy, the Company and OREC Investment Management, LLC d/b/a Lument Investment Management, the Company’s external manager (our “**Manager**”), agreed to certain related party transaction policies and procedures (the “**Management Agreement Policies**”) to govern the treatment of certain transactions involving the Company, on the one hand, and the Manager or certain of its affiliates, on the other hand. In the event of a conflict between this policy and the terms of the Management Agreement Policies, the terms of the Management Agreement Policies shall prevail.

#### II. Definitions

For the purposes of this policy, the following definitions apply:

“**Company**” means Lument Finance Trust, Inc. and, unless the context otherwise dictates, each of its direct and indirect subsidiaries.

“**Immediate Family Member**” means any children, step-children, grandchildren, parents, step-parents, grandparents, spouse, domestic partners, siblings, parents-in-law, and children-in-law, as well as adoptive relationships that meet the above criteria who share the same household as any director, nominee for director or executive officer of the Company.

“**Related Party**” means any (i) director, nominee for director or executive officer of the Company; (ii) beneficial owner (other than a financial or investment institution) of more than 5% of the Company’s voting securities; (iii) Immediate Family Member of a director, executive officer, nominee for director or beneficial owner of more than 5% of the Company’s voting securities; (iv) an entity which is owned or controlled by someone who falls within the categories listed above in (i), (ii) or (iii); or (v) an entity in which someone listed above in (i), (ii) or (iii) has a substantial ownership interest or control.

“**Related Party Transaction**” means a Transaction (defined below) in which the Company or any subsidiary of the Company was, or is proposed to be, a participant and in which a Related Party has, had or may have a direct or indirect material interest.

**“Transaction”** means any single or series of financial contracts, arrangements or relationships (including any indebtedness or guarantee of indebtedness) or any series of similar contracts, arrangements or relationships.

### **III. Identification of Related Party Transactions**

Directors, nominees for director and officers shall promptly notify the Company’s General Counsel (or if no such officer then exists, the Company’s outside counsel) of any interest such person or an Immediate Family Member of such person had, has or may have in a Related Party Transaction.

### **IV. Review, Approval and Ratification of Transactions**

Other than those transactions set forth in below under the heading “Pre-Approved Transaction,” any Related Party Transactions shall be reported to the Audit Committee by the Company’s Chief Financial Officer, or in the event that the Chief Financial Officer has an interest in the Related Party Transaction, the transaction shall be reported to the Audit Committee by the Company’s outside legal counsel.

### **V. Audit Committee Review of Related Party Transactions**

The Audit Committee shall review the material facts of all Related Party Transactions that require the Audit Committee’s approval and either approve, disapprove or ratify such transactions. In assessing a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate: including without limitation (i) the benefits to the Company of the transaction; (ii) the commercial reasonableness of the terms of the Related Party Transaction; (iii) the materiality of the Related Party Transaction to the Company; (iv) the extent of the Related Party’s interest in the Related Party Transaction; (v) if applicable, the impact of the Related Party Transaction on a non-employee director’s independence; and (vi) the actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction.

If advance Audit Committee approval of a Related Party Transaction requiring the Audit Committee’s approval is not feasible, then the transaction may be preliminarily entered into following approval by the Chair of the Audit Committee or Chief Executive Officer subject to ratification of the transaction by the Audit Committee at the Audit Committee’s next regularly scheduled meeting; provided that if ratification shall not be forthcoming, management shall make all reasonable efforts to cancel or annul such transaction.

No director shall participate in the evaluation of any Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Audit Committee.

If a Related Party Transaction will be ongoing, the Audit Committee may, in its discretion, establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Audit Committee’s guidelines.

## **VI. Pre-Approved Transactions**

The following types of Transactions will not be reviewed by the Audit Committee and do not require approval or ratification:

- (i) Transactions in the ordinary course of business that do not exceed \$120,000 in any fiscal year;
- (ii) Executive officer and director compensation arrangements approved by the Board of Directors, the Compensation Committee of the Board of Directors, or a duly authorized sub-committee thereof;
- (iii) Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as director of another corporation or organization that is a party to the Transaction;
- (iv) Transactions in which the Related Party's interest is derived solely from his or her direct or indirect ownership of an entity (other than a general partnership) that is a party to the Transaction when such ownership interest is less than ten percent (10%) of the equity interest of such entity;
- (v) Transactions where the rates or charges involved in the transactions are determined by competitive bids, or transactions involving the rendering of services as a common or contract carrier, or as a public utility, at rates or charges fixed in conformity with law or governmental authority;
- (vi) Transactions available to all employees generally;
- (vii) Transactions where the interest of the Related Party arises solely from the ownership of a class of equity securities in the Company and all holders of such class of equity securities of the Company received the same benefit on a pro rata basis; and
- (viii) Transactions with Related Parties identified in the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission.

In addition, the following types of Related Party Transactions involving our Manager or any of its affiliates will not be required to be reviewed and approved by the Audit Committee: (a) Transactions that are "Pre-Approved Related Party Transactions," as such term is defined in the Management Agreement Policies, and (b) Related Party Transactions involving our Manager or any of its affiliates which, pursuant to the terms of the Company's management agreement with our Manager, are subject to review and approval by a majority of the Company's independent directors and are reviewed and approved by a majority of the Company's independent directors.

## **VII. Disclosure**

All Related Party Transactions that are not exempt pursuant to clauses (i) through (viii) in the section entitled "Pre-Approved Transactions" above shall be disclosed in the Company's applicable filings required the Securities Exchange Act of 1934, as amended.