

A modern apartment building with a light-colored facade and dark-framed windows. The building is partially obscured by a dark blue vertical bar on the left. On the right, the building features bright yellow balconies and is illuminated by a bright sun, creating a lens flare effect.

Lument Finance Trust

Investor Presentation

March 2021

Disclaimer

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 2020 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 2020 Form 10-K which is available on the SEC’s website at 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

Company Overview

- 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

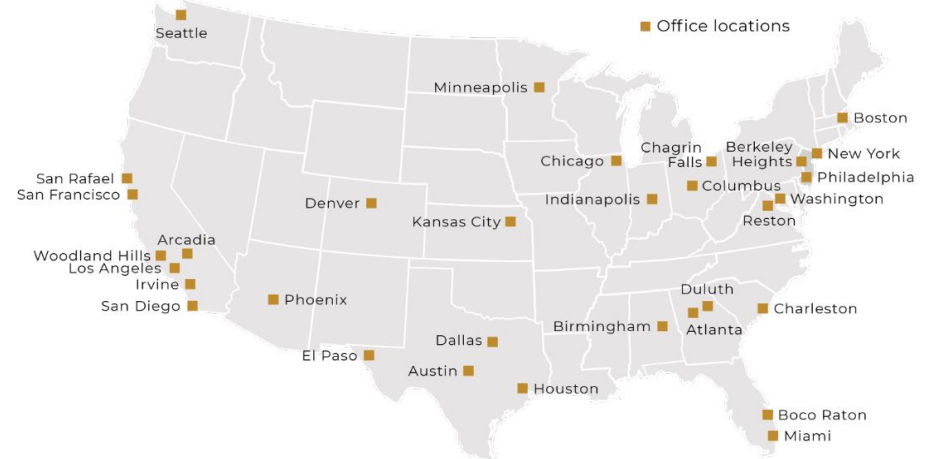
Leveraging the Depth of the Lument Platform

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
- \$47+ billion servicing portfolio
- 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 5 Fannie Mae Small Loan lender (2020)
- Top 5 Freddie Mac Small Loan Lender (2020)
- Top ranked FHA MAP lender



Lument: A Platform Built for the Benefit of Investors

Diverse Opportunity Set via Lument Origination Platform

- 550+ 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 \$47+ 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 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 2020

Capital Reach

- Balance sheet assets exceeding \$100 billion
- Approximately \$400 billion in assets under management across the globe (As of December 2020)

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



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



PHIL GIBSON

Chief Credit Officer, Real Estate
Investment Strategies, Lument



JAMES HENSON

General Counsel, Lument

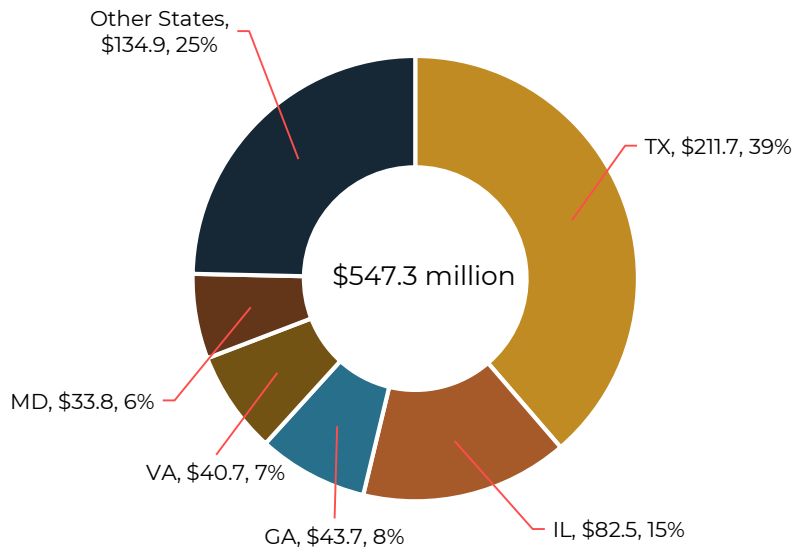
Lument Finance Trust: Target Investments

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

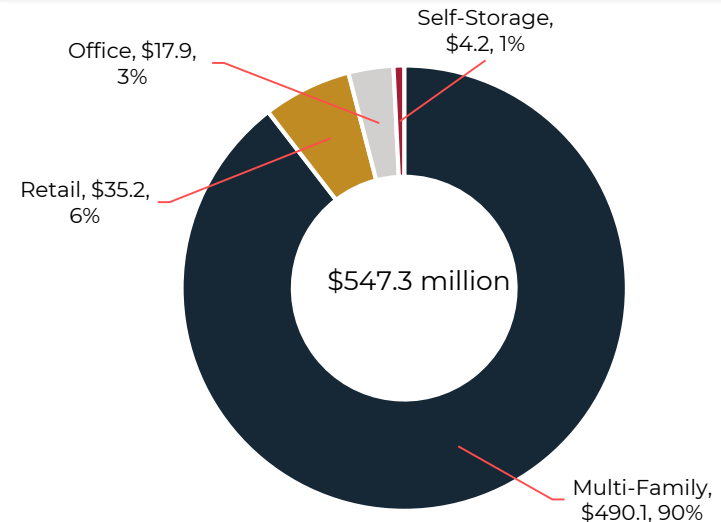
Lument Finance Trust: Investment Portfolio

- As of Q4 2020, the Company owned a portfolio of floating-rate CRE loans with an aggregate UPB of \$547.3 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 (less than 10% of portfolio UPB)
- 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⁽¹⁾



Property Type⁽¹⁾

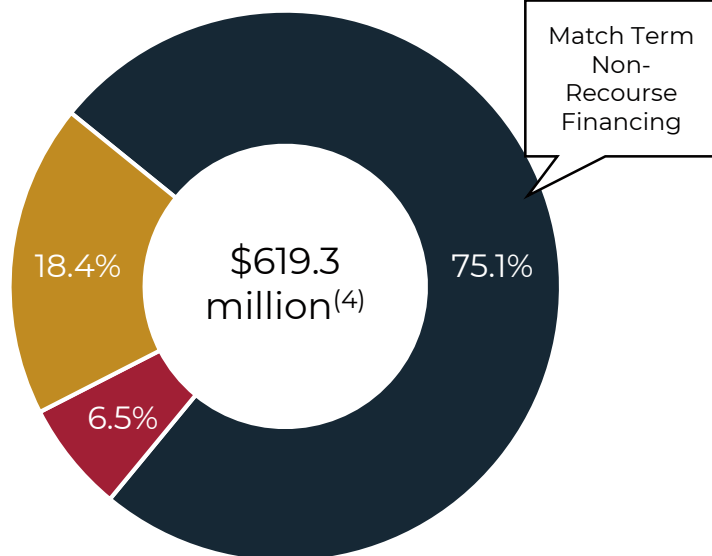


Note: (1) \$ In millions, based on UPB.

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 ⁽¹⁾	L + 1.45%	80.8%	\$245.9
Hunt CRE 2018-FL2 ⁽¹⁾	L + 1.44%	77.0%	\$219.4
Total Collateralized Loan Obligations	L + 1.44%		\$465.3
<u>Credit Facilities</u>			
Term Loan ⁽²⁾	7.25%		\$40.3
Total Debt			\$505.6
<u>Equity</u>			
Book Value of Common Equity⁽³⁾			\$113.7
Total Capitalization⁽⁴⁾			\$619.3

Note: (1) CLO financing shown at par value. GAAP carrying value of \$463.1 million includes \$0.2 million of unamortized discounts for Hunt CRE 2017-FL1 and \$2.0 million of unamortized debt issuance costs for Hunt CRE 2018-FL2.

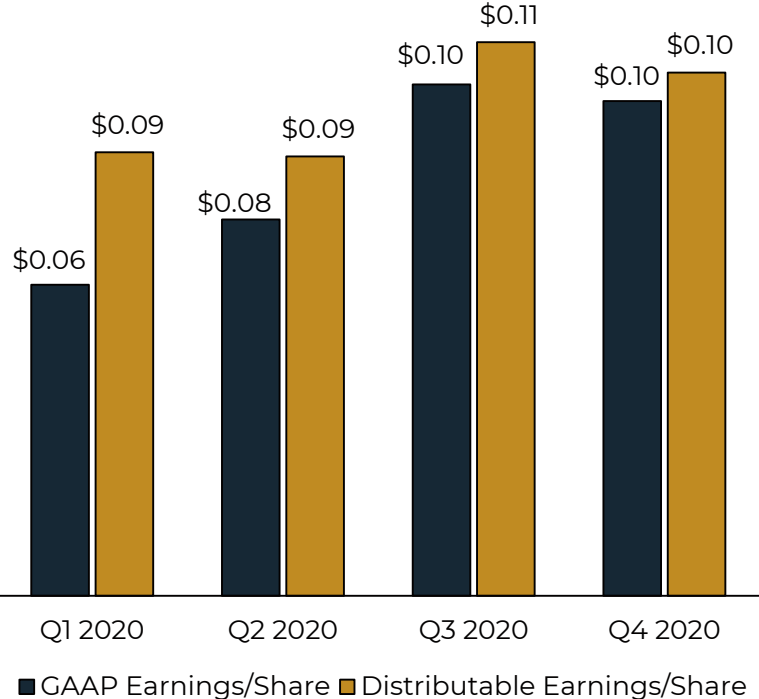
(2) Term loan shown at par value. GAAP carrying value of \$39.6 million includes \$0.7 million of unamortized debt issuance costs.

(3) Noncontrolling interest was \$99,500 as of 12/31/2020 and is included in common equity above.

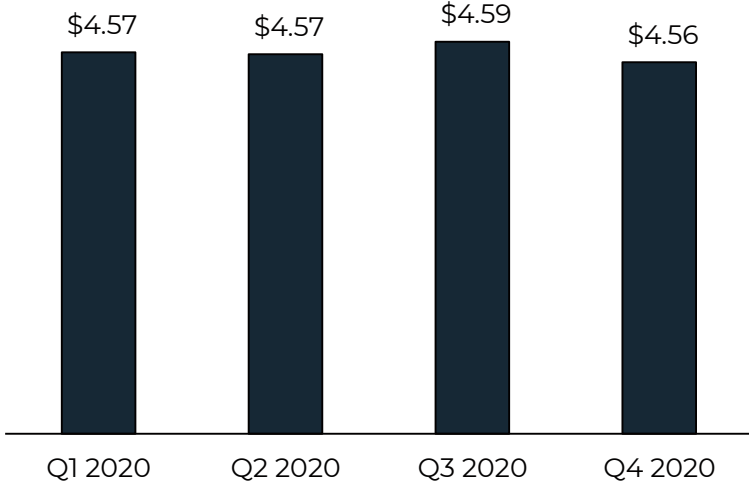
(4) LFT total capitalization is a non-GAAP measure which excludes certain Balance Sheet items; Please see Appendix for reconciliation to GAAP.

Track Record of EPS Growth and Book Value Stability

GAAP Earnings & Distributable Earnings⁽¹⁾ Per Share of Common Stock



Book Value Per Share



Note: (1) See Appendix for definition of Distributable Earnings.

Conclusion



LUMENT

FINANCE TRUST

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Appendix

Q4 2020 Financial Updates

Q4 2020 Key Updates

Financial Results	<ul style="list-style-type: none">• Q4 2020 GAAP Net Income of \$2.5 million, or \$0.10 per share. FY 2020 GAAP Net Income of \$8.4 million, or \$0.34 per share, which represents a 217% increase year-over-year• Q4 2020 Distributable Earnings⁽¹⁾ of \$2.6 million, or \$0.10 per share. FY 2020 Distributable Earnings of \$9.8 million or \$0.39 per share, which represents a 29% increase year-over-year• Q4 2020 Book Value Per Share of \$4.56
Dividends	<ul style="list-style-type: none">• On September 17, 2020, we announced a dividend increase from \$0.075 per share to \$0.085 per share, a 13% increase over the prior quarter• On December 18, 2020, we announced our second consecutive dividend increase from \$0.085 per share to \$0.09 per share, a 6% increase over the prior quarter• On December 21, 2020, we announced a one-time special cash dividend of \$0.04 per share
Highlights	<ul style="list-style-type: none">• During Q4 2020, the Company acquired and/or funded \$5.0 million of new loans and participations at a weighted average spread of LIBOR + 3.94%<ul style="list-style-type: none">• 100% of the new acquisitions were multifamily assets• The Company experienced \$56.6 million of loan payoffs during the quarter• For the full year 2020, the Company acquired and/or funded \$57.6 million of new loans and participations at a weighted average spread of LIBOR + 3.34%
Investment Portfolio Overview	<ul style="list-style-type: none">• As of 12/31/2020, 99.8%⁽²⁾ of LFT's investment portfolio consisted of floating-rate CRE loans<ul style="list-style-type: none">• The \$547.3 million CRE loan portfolio had a weighted average remaining term of 12 months⁽³⁾ and a weighted average coupon of L + 3.50%• The portfolio had a weighted-average LIBOR floor of 1.64%• 90%⁽²⁾ of the portfolio was multifamily
Capitalization	<ul style="list-style-type: none">• The floating-rate CRE loan portfolio is financed with \$465.3 million of investment grade notes issued through two CRE CLOs

Q4 and Full Year 2020 Income Statement Summary

Summary Income Statement (thousands)	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2020
Net interest income	\$4,639	\$18,431
Total other income (loss)	(54)	(1,071)
Operating expenses	(2,155)	(9,386)
Benefit (provision) from income taxes	39	476
Preferred dividends	4	15
Net income attributable to common stockholders	\$2,465	\$8,435
Weighted average shares outstanding during the period	24,943,383	24,934,505
Net income per share	\$0.10	\$0.34

GAAP Net Income to Distributable Earnings Reconciliation (thousands)	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2020
Net Income attributable to common stockholders	\$2,465	\$8,435
Adjustments:		
Unrealized losses (gains) on mortgage servicing rights	177	1,781
Recognized compensation expense related to restricted stock	3	20
Adjustment for (provision for) income taxes	(39)	(476)
Distributable earnings ⁽¹⁾	\$2,606	\$9,759
Weighted average shares outstanding during the period	24,943,383	24,934,505
Distributable earnings per share	\$0.10	\$0.39
Dividend per share ⁽²⁾	\$0.13	\$0.37

Note: (1) See Appendix for definition of Distributable Earnings.
(2) Includes one-time special dividend of \$0.04 per share.

Q4 2020 Balance Sheet Summary

Balance Sheet (thousands)	12/31/2020 ⁽¹⁾
Commercial mortgage loans held-for-investment	\$547,345
Mortgage servicing rights, at fair value	920
Cash and cash equivalents	11,376
Restricted cash ⁽²⁾	57,999
Accrued interest receivable	2,016
Other assets	1,834
Total assets	\$621,490
Collateralized loan obligations ⁽³⁾	\$463,060
Credit facility	39,556
Other liabilities	5,170
Total liabilities	\$507,787
Total equity	\$113,703
Total liabilities / total equity	4.47x
Book value per share	\$4.56

Note:

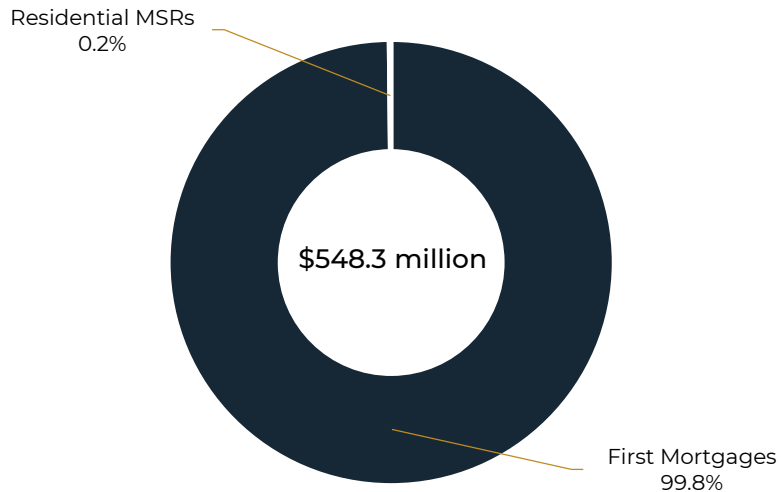
(1) Refer to footnote 1 on page 22 for information on the Company's consolidated variable interest entities ("VIE's").

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

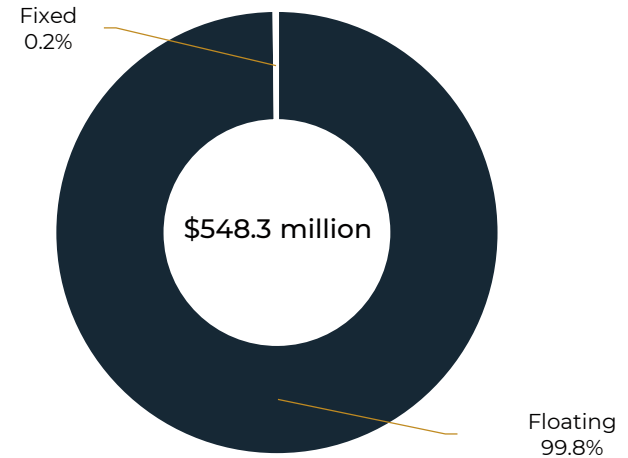
(3) Outstanding notional amount of bonds issued from both CLOs is \$465.3 million. For GAAP purposes, these liabilities are carried at their outstanding unpaid principal balance, net of any unamortized discounts and debt issuance costs.

Q4 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	\$547,345	\$547,345	L + 3.50%	12 ⁽¹⁾	74.24%	69.34%
Residential MSRs	\$191,799	\$920	0.25%	269 ⁽²⁾		
Total	\$739,144	\$548,265				

Note:

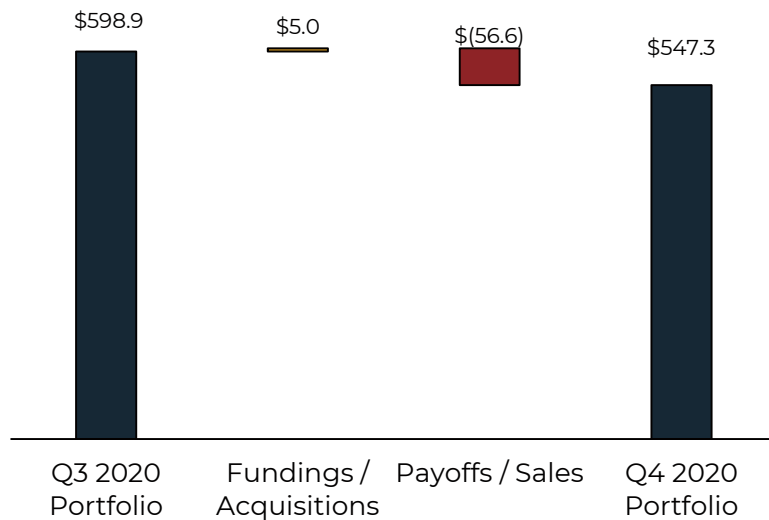
(1) If all extensions are exercised by the borrowers, the CRE loan portfolio will have a weighted average remaining term of 37 months.

(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 term of the portfolio to be less than 269 months.

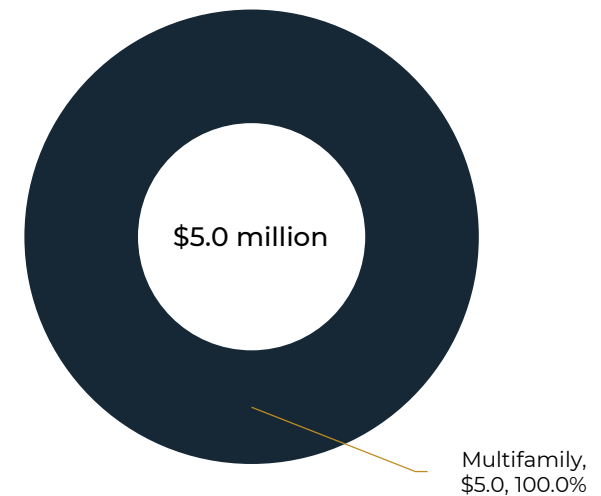
Q4 2020 Balance Sheet Summary

- The CRE loan portfolio decreased by \$51.6 million in Q4
- We acquired \$4.9 million of loans at par from an affiliate of the Manager and funded an additional \$0.1 million of future funding participations
- We experienced \$56.6 million of loan payoffs. \$8.0 million of these loans were held in FL1 which is past its reinvestment period, \$48.4 million were held in FL2, and \$0.2 million were participations held outside the CLOs

Net Funding Activity⁽¹⁾



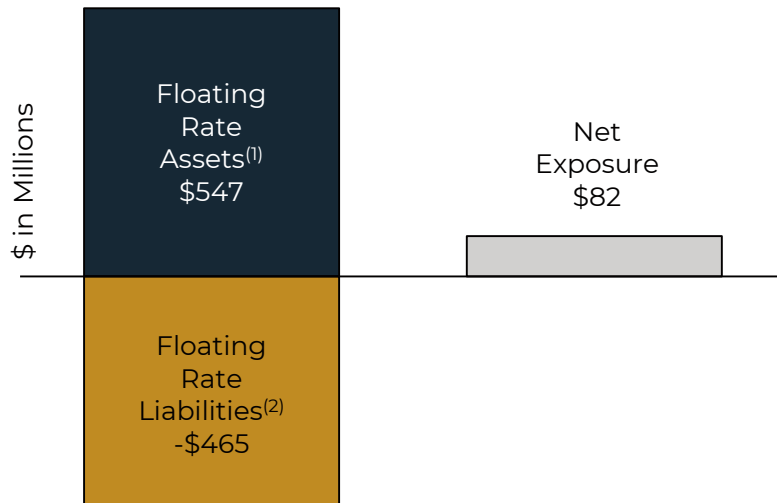
Q4 2020 Loan Acquisitions⁽¹⁾



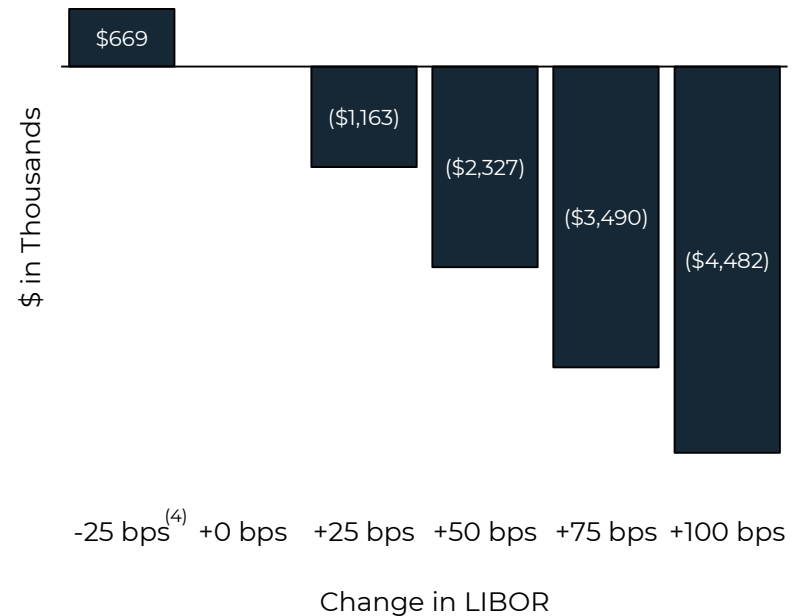
Note: (1) \$ In millions.

Interest Rate Sensitivity as of December 31, 2020

Floating-Rate Exposure



Annual Net Interest Income Sensitivity to Shifts in One-Month LIBOR⁽³⁾



Note: (1) Comprised of the Company's portfolio of floating-rate CRE loans.
 (2) Comprised of outstanding securitization notes in the CRE CLOs.
 (3) Assumes starting one-month LIBOR rate of 0.1439%.
 (4) Negative LIBOR will not have further impacts on P&L.

12/31/2020 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread ⁽¹⁾	Initial Term (months)	As-Is LTV at Origination ⁽²⁾
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	12/6/2021	Multi-Family	Nacogdoches	TX	35,441,348	4.05%	36	70.39%
3	Loan 3	7/9/2018	8/6/2021	Multi-Family	Pikesville	MD	33,752,111	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	11/26/2019	12/6/2021	Multi-Family	Doraville	GA	20,000,000	2.75%	25	76.10%
10	Loan 10	12/6/2018	12/6/2021	Multi-Family	Greensboro	NC	18,703,039	3.35%	37	79.78%
11	Loan 11	12/28/2018	1/6/2022	Retail	Austin	TX	18,000,000	3.90%	37	71.40%
12	Loan 12	7/10/2019	8/6/2022	Multi-Family	Amarillo	TX	17,754,112	2.90%	37	76.37%
13	Loan 13	12/28/2018	1/6/2022	Retail	Austin	TX	17,172,624	4.10%	37	60.50%
14	Loan 14	3/13/2019	4/6/2022	Multi-Family	Baytown	TX	16,707,856	3.10%	37	80.47%
15	Loan 15	6/28/2018	7/6/2021	Multi-Family	Greenville	SC	15,245,253	3.90%	37	76.29%
16	Loan 16	8/29/2019	8/6/2022	Multi-Family	Austell	GA	14,632,203	3.40%	36	72.50%
17	Loan 17	7/23/2018	8/6/2021	Office	Chicago	IL	12,828,794	3.75%	37	72.74%
18	Loan 18	8/8/2019	8/6/2022	Multi-Family	Fort Worth	TX	12,649,099	3.00%	36	75.83%
19	Loan 19	1/9/2018	2/6/2021	Multi-Family	North Highlands	CA	10,158,934	3.95%	37	79.03%
20	Loan 20	3/29/2019	4/6/2021	Multi-Family	Portsmouth	VA	10,000,000	3.25%	25	61.35%

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.

12/31/2020 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread ⁽¹⁾	Initial Term (months)	As-Is LTV at Origination ⁽²⁾
21	Loan 21	9/10/2020	4/6/2021	Multi-Family	Winchester	OH	9,527,000	4.25%	7	61.90%
22	Loan 22	9/11/2019	10/6/2022	Multi-Family	Orlando	FL	9,135,000	2.80%	37	69.20%
23	Loan 23	3/12/2018	4/6/2021	Multi-Family	Waco	TX	8,612,000	4.75%	37	72.90%
24	Loan 24	8/7/2018	9/6/2021	Multi-Family	Birmingham	AL	8,235,825	3.50%	38	78.01%
25	Loan 25	2/23/2018	3/6/2021	Multi-Family	Little Rock	AR	8,070,000	4.25%	37	81.29%
26	Loan 26	1/13/2020	2/6/2022	Multi-Family	Fort Lauderdale	FL	7,930,194	3.15%	25	78.40%
27	Loan 27	11/13/2019	12/6/2021	Multi-Family	Holly Hill	FL	7,780,000	2.90%	25	77.80%
28	Loan 28	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	6,525,817	3.40%	37	77.70%
29	Loan 29	12/9/2019	1/6/2022	Multi-Family	Fort Worth	TX	6,230,000	3.15%	25	77.70%
30	Loan 30	3/29/2019	4/6/2021	Multi-Family	Raleigh	NC	5,992,424	3.50%	25	79.03%
31	Loan 31	8/28/2019	8/6/2022	Multi-Family	Austin	TX	5,966,157	3.25%	36	69.90%
32	Loan 32	6/22/2018	7/6/2021	Multi-Family	Chicago	IL	5,900,550	4.10%	37	80.53%
33	Loan 33	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	5,295,605	2.90%	37	62.92%
34	Loan 34	12/13/2019	1/6/2022	Multi-Family	Jacksonville	FL	5,070,339	2.90%	25	74.90%
35	Loan 35	11/30/2018	11/6/2021	Office	Decatur	GA	5,036,066	4.10%	36	56.80%
36	Loan 36	12/29/2020	1/6/2022	Multi-Family	Fayetteville	NC	4,920,000	3.95%	12	70.30%
37	Loan 37	5/31/2019	6/6/2022	Multi-Family	Austin	TX	4,275,035	3.50%	37	74.09%
38	Loan 38	11/12/2019	12/6/2021	Self-Storage	Chesapeake	VA	4,225,000	3.15%	25	64.50%
39	Loan 39	12/13/2019	1/6/2022	Multi-Family	Marietta	GA	4,010,000	3.00%	25	77.90%
40	Loan 40	6/5/2018	6/4/2021	Multi-Family	Palatine	IL	2,835,666	4.30%	37	68.50%
Total / Average							547,345,334	3.50%	34	74.24%

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

	December 31, 2020 ⁽¹⁾	December 31, 2019 ⁽¹⁾
ASSETS		
Cash and cash equivalents	11,375,960	\$ 10,942,115
Restricted cash	57,999,396	5,069,715
Commercial mortgage loans held-for-investment, at amortized cost	547,345,334	635,260,420
Mortgage servicing rights, at fair value	919,678	2,700,207
Deferred offering costs	—	40,000
Accrued interest receivable	2,015,617	2,342,354
Other assets	1,833,794	1,547,187
Total assets	<u>\$ 621,489,779</u>	<u>\$ 657,901,998</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Collateralized loan obligations, net	463,060,090	505,930,065
Secured Term Loan, net	39,556,198	39,384,041
Accrued interest payable	432,936	805,126
Dividends payable	3,242,640	1,776,912
Fees and expenses payable to Manager	1,156,340	991,981
Other accounts payable and accrued expenses	338,423	369,161
Total liabilities	<u>507,786,627</u>	<u>549,257,286</u>
COMMITMENTS AND CONTINGENCIES (NOTES 14 & 15)		
EQUITY:		
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 December 31, 2020 and December 31, 2019, respectively	249,389	236,877
Additional paid-in capital	233,850,271	228,135,116
Cumulative distributions to stockholders	(131,355,978)	(122,236,981)
Accumulated earnings (deficit)	10,859,970	2,410,200
Total stockholders' equity	<u>113,603,652</u>	<u>108,545,212</u>
Noncontrolling interests	\$ 99,500	\$ 99,500
Total equity	<u>\$ 113,703,152</u>	<u>\$ 108,644,712</u>
Total liabilities and equity	<u>\$ 621,489,779</u>	<u>\$ 657,901,998</u>

(1) Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIE's) as the Company was the primary beneficiary of these VIEs. As of December 31, 2020 and December 31, 2019, assets of the consolidated VIEs related to Hunt CRE 2017-FL1, Ltd. and Hunt CRE 2018-FL2, Ltd. totaled \$591,318,506 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 \$463,411,967 and \$506,662,238, respectively. See Note 7 for further discussion.

Consolidated Statement of Income

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues:		
Interest income:		
Commercial mortgage loans held-for-investment	33,570,949	38,969,471
Multi-family loans held in securitization trusts	—	78,361
Cash and cash equivalents	45,782	9,647
Interest expense:		
Collateralized loan obligations	(12,047,300)	(20,882,076)
Secured term loan	(3,138,917)	(2,761,561)
Net interest income	<u>18,430,514</u>	<u>15,413,842</u>
Other income:		
Realized (loss) on investments, net	—	(709,439)
Change in unrealized gain (loss) on mortgage servicing rights	(1,780,528)	(1,297,579)
Change in unrealized gain (loss) on multi-family loans held in securitization trusts	—	694,339
Servicing income, net	709,565	869,032
Other income	2	—
Total other (loss)	<u>(1,070,961)</u>	<u>(443,647)</u>
Expenses:		
Management and incentive fees	2,524,139	2,245,065
General and administrative expenses	3,518,500	4,335,376
Operating expenses reimbursable to Manager	1,644,886	1,629,908
Other operating expenses	1,493,214	360,517
Compensation expense	205,292	193,962
Total expenses	<u>9,386,031</u>	<u>8,764,828</u>
Net income (loss) before provision for income taxes	7,973,522	6,205,367
Benefit from (provision for) income taxes	476,248	43,523
Net income (loss)	<u>8,449,770</u>	<u>6,248,890</u>
Dividends to preferred stockholders	(15,000)	(491,764)
Deemed dividend on preferred stock related to redemption	\$ —	\$ (3,093,028)
Net income (loss) attributable to common stockholders	<u>\$ 8,434,770</u>	<u>\$ 2,664,098</u>
Earnings (loss) per share:		
Net income (loss) attributable to common stockholders (basic and diluted)	<u>\$ 8,434,770</u>	<u>\$ 2,664,098</u>
Weighted average number of shares of common stock outstanding	24,934,505	23,687,812
Basic and diluted income (loss) per share	<u>\$ 0.34</u>	<u>\$ 0.11</u>
Dividends declared per weighted average share of common stock	<u>\$ 0.37</u>	<u>\$ 0.30</u>

Reconciliation of GAAP to Distributable Earnings

GAAP to Distributable Earnings Reconciliation	Three Months Ended December 31, 2020	Year Ended December 31, 2020
<i>Reconciliation of GAAP to non-GAAP Information</i>		
Net income attributable to common stockholders	\$2,464,678	\$8,434,770
<i>Adjustments for non-Distributable earnings</i>		
Unrealized loss on mortgage servicing rights	177,476	1,780,528
Subtotal	177,476	1,780,528
<i>Other Adjustments</i>		
Recognized compensation expense related to restricted common stock	2,949	20,292
Provision for income taxes	(38,861)	(476,248)
Subtotal	(35,912)	(455,956)
Distributable Earnings	\$2,606,242	\$9,759,342
Weighted average shares outstanding, basic and diluted	24,943,383	24,934,505
Distributable Earnings per share, basic and diluted	\$0.10	\$0.39

Detailed Walk of Capitalization

(in 000's)

Total GAAP liabilities and stockholders' equity

12/31/2020

\$621,490

Adjustments for Capitalization

(-) Accrued interest payable

(433)

(-) Dividends payable

(3,243)

(-) Fees and expenses payable to Manager

(1,156)

(-) Other accounts payable and accrued expenses

(338)

(+) Other capitalized financing & issuance costs

2,950

LFT Capitalization

\$619,269

Key Definitions

“Distributable Earnings” is a non-GAAP measure, which we define as GAAP net income (loss) attributable to holders' of common stock, 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, (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 that applicable reporting period, regardless of whether such items are included in other comprehensive income (loss) or net income (loss), 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 approved by a majority of the Company's independent directors. Distributable Earnings mirrors how we calculate Core Earnings pursuant to the terms of our management agreement between our Manager and us, or our Management Agreement, for purposes of calculating the incentive fee payable to our Manager. While Distributable Earnings excludes the impact of any unrealized provisions for credit losses, any loan losses are charged off and realized through Distributable Earnings when deemed non-recoverable. Non-recoverability is determined (i) upon the resolution of a loan (i.e. when the loan is repaid, fully or partially, or in the case of foreclosures, when the underlying asset is sold), or (ii) with respect to any amount due under any loan, when such amount is determined to be non-collectible.

We believe that Distributable Earnings provides meaningful information to consider in addition to our net income (loss) and cash flows from operating activities determined in accordance with GAAP. We believe Distributable Earnings is a useful financial metric for existing and potential future holders of our common stock as historically, over time, Distributable Earnings has been a strong indicator of our dividends per share. As a REIT, we generally must distribute annually at least 90% of our taxable income, subject to certain adjustments, and therefore we believe our dividends are one of the principal reasons stockholders may invest in our common stock. Refer to Note 16 to our consolidated financial statements for further discussion of our distribution requirements as a REIT. Furthermore, Distributable Earnings help us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations, and is a performance metric we consider when declaring our dividends.

Distributable Earnings does not represent net income (loss) or cash generated from operating activities and should not be considered as an alternative to GAAP net income (loss), or an indication of GAAP cash flows from operations, a measure of our liquidity, or an indication of funds available for our cash needs. In addition, our methodology for calculating Distributable Earnings may differ from the methodologies employed by other companies to calculate the same or similar performance measures, and accordingly, our reported Distributable Earnings may not be comparable to the Distributable Earnings reported by other companies.



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March 2021
