

CORPORATE GOVERNANCE GUIDELINES

of

LUMENT FINANCE TRUST, INC.

Lument Finance Trust, Inc. (the “**Company**”) operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. The Company regularly monitors developments in corporate governance. The Company is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. References in these Corporate Governance Guidelines to the Company shall include the Company and, unless the context otherwise dictates, its direct and indirect subsidiaries.

The Company has adopted these Corporate Governance Guidelines which include, among other things a policy regarding stockholder communication with non-management members of the Board of Directors (the “**Board**”) and specifications for director qualification and responsibility.

I. **The Board**

a. *Role of the Board; Director Responsibilities*

The business and affairs of the Company shall be managed under the direction of the Board. The Board directs and oversees the management of the business and affairs of the Company in a manner consistent with the best interests of the Company.

Each director is expected to attend Board meetings and meetings of committees on which he or she serves, prepare for meetings, review relevant materials, ask questions and engage in discussion, and spend the time needed and meet as frequently as necessary to properly discharge his or her duties. Participation by conference telephone or other communications equipment is appropriate in the event of scheduling conflicts or when the Board otherwise deems it to be necessary or desirable.

Directors should be familiar with the Company’s business, its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the Board and committee meetings they attend. Directors are expected to maintain an attitude of constructive involvement and oversight; they are expected to ask incisive, probing questions and require accurate, honest answers; they are expected to act with integrity; and they are expected to demonstrate a commitment to the Company, its values, its business plan and long-term enterprise and stockholder value.

The Board’s responsibility is one of oversight. In performing its oversight role, the Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the Company’s stockholders. Directors rely on the competency and integrity of the Company’s officers and the Company’s external manager, Lument Investment Management, LLC (the “**Manager**”), in carrying out their responsibilities. Subject to the oversight of the Board, it is the responsibility of the Company’s officers and the Manager to operate the Company in an effective and ethical manner in order to produce value for the Company’s stockholders.

b. Director Qualification Standards

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current Board members), the Nominating and Corporate Governance Committee, in recommending candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, take into account many factors, including, among others, the policy on Board refreshment discussed below under “Board Refreshment, Retirement and Term Limits,” the ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today’s business environment, experience in the Company’s industry and with relevant social policy concerns, understanding of the Company’s business on a technical level, other board service and educational and professional background. Each candidate nominee must also possess fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility. The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director’s past attendance at meetings and participation in and contributions to the activities of the Board.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their professional or personal circumstances, including change in their principal job responsibilities or other commitments, that could interfere with the performance of their duties as directors.

c. No Specific Limitation on Other Board Service

The Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such activities except with respect to members serving on the Audit Committee, as described below. However, the Nominating and Corporate Governance Committee and the Board will take into account the nature of, and time involved in, a director’s service on other boards and/or committees in evaluating the suitability of individual director candidates and current directors and making its recommendations to the Company’s stockholders.

Due to the demanding nature of service on the Audit Committee, the members of the Audit Committee should carefully consider the number of other audit committees of boards of directors on which they serve. Service on three or more other audit committees of public companies concurrently triggers a Board determination and proxy disclosure that such simultaneous service does not impair the individual’s ability to serve on the Company’s Audit Committee.

d. Director Independence Standards

At least a majority of the Board and all members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee will at all times be comprised of directors who qualify as independent directors (the “**Independent Directors**”) in accordance with applicable rules of the Securities and Exchange Commission (the “**SEC**”) and the listing standards of the New York Stock Exchange (the “**NYSE**”), as amended from time to time. The Board performs an analysis,

at least annually, as to whether each member of the Board is independent. The Board has adopted the definition of “independence” as described under NYSE Listed Company Manual Section 303A.02.

Subject to NYSE and SEC rules and regulations, the Board shall meet the criteria for independence as affirmatively determined annually by the Board in accordance with the NYSE listing standards and any other applicable laws, rules and regulations regarding independence in effect and applicable to the Company from time to time. A vacancy on the Board or other failure to comply with the foregoing requirements shall not affect the validity of any action taken by the Board.

For a director to be considered independent, the Board must affirmatively determine that the director does not have any direct or indirect material relationship with the Company. In addition, the Board has established guidelines, set forth below, to assist it in determining director independence, which conform to the independence requirements in the NYSE listing requirements. The Board will interpret and, from time to time, modify these guidelines to correspond to any changes in the independence requirements in the NYSE listing requirements. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

The Board will make and publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter for all nominees for election as directors. If the Board determines that a director who satisfies the NYSE rules is independent even though he or she does not satisfy all of the Company’s independence guidelines, this determination will be disclosed and explained in the Company’s next proxy statement.

Unless otherwise permitted under the NYSE Listed Company Manual, a director will not be independent if:

(1) The director is, or has been within the last three years, an employee of the Company, or an immediate family member of the director is, or has been within the last three years, an executive officer, of the Company;

(2) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(3) (A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

(4) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that other company's compensation committee; or

(5) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

e. Independence of Audit Committee Members

Members of the Audit Committee must also satisfy the definition of "independence" under Rule 10A-3(b)(1) ("**Rule 10A-3**") of the Securities Exchange Act of 1934. Specifically, members of the Audit Committee may not, other than in their capacity as a member of the audit committee, the Board, or any other Board committee:

(1) accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service); or

(2) be an "affiliate" of the Company or any of its subsidiaries, as such term is defined in Rule 10A-3. Rule 10A-3 defines "affiliate" to include an executive officer of an affiliate of the Company, a director who also is an employee of an affiliate, a general partner of an affiliate, and a managing member of an affiliate.

f. Size of Board and Selection Process

The directors are elected each year by the stockholders at the annual meeting of stockholders. Stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee in accordance with the charter of that committee and the Company's Bylaws. Subject to the Board's policy on board succession planning discussed below under "Board Refreshment, Retirement and Term Limits," the Nominating and Corporate Governance Committee shall consider and make recommendations to the Board concerning the appropriate size and needs of the Board and consider and recommend to the Board candidates to fill vacancies on the Board, in each case, subject to the requirements of the Company's charter and bylaws and the Maryland General Corporation Law.

g. Standing Committees of the Board

The Board has established standing committees comprised of members of the Board to assist the Board in discharging its responsibilities including but not limited to: (i) the Audit Committee; (ii) the Compensation Committee and (iii) the Nominating and Corporate Governance Committee. The current charters of the standing committees of the Board are published on the Company's website and will be mailed to any stockholder upon written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of their respective committees. The committees occasionally may hold meetings in conjunction with the full Board.

h. Director Compensation

The form and amount of director compensation will be reviewed by the Compensation Committee from time to time in accordance with the policies and principles set forth in its charter and these Guidelines. The Compensation Committee will then recommend any changes to director compensation to the full Board as it deems appropriate. Board compensation should be consistent with

market practices but should not be set at a level that would call into question the Board's objectivity. Directors who are employees of the Manager or any of its affiliates shall not be paid compensation by the Company for their services as directors. Independent Directors serving on the Audit Committee will receive no additional compensation, in the form of consulting fees or other specific benefits, beyond that provided for service on the Board or a committee. The Compensation Committee and the Board may seek outside expertise to determine the appropriateness and competitiveness of compensation paid to directors.

i. Stockholder Communication with the Board

To send communications regarding the Company to the Board, the non-management directors as a group, or any of the directors individually, stockholders should contact them in writing at Lument Finance Trust, Inc., c/o Lument Investment Management, LLC, 230 Park Avenue, 20th Floor, New York, New York 10169, Attention: Corporate Secretary. The sender should indicate in the address whether such written communication is intended for the entire Board, the Chairman of the Board, the non-management directors as a group or an individual director. Each written communication received by the Corporate Secretary will be forwarded to the intended recipients unless there are safety or security concerns that mitigate against further transmission of the communications, as determined by the Corporate Secretary in consultation with the Company's legal counsel. The Board or individual director so addressed shall be advised of a communication withheld for safety or security reasons as soon as practicable.

j. Director Access to Management

Directors have complete access to the Company's officers and the Company's outside advisors to ensure that directors can ask any questions relevant to and receive all information necessary to performance of their duties. Directors should exercise judgment to ensure that such contact does not distract the officers from their jobs or disturb the business operations of the Company. Any non-routine meetings or contacts that a director desires to initiate should be arranged through the CEO, and any non-routine written communications between a director and an officer of the Company should be copied to the CEO.

k. Director Access to Outside Advisors

The Board and each committee shall have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance, at the Company's expense to assist the directors in carrying out their duties to the Company.

l. Director Orientation and Continuing Education

The Company provides new directors with a director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct, Corporate Governance Guidelines, principal officers, internal auditors and independent auditors. The Company is committed to providing continuing education for existing directors, including customized educational workshops and facilitating directors' attendance at director education institutes, courses and symposiums. The Company provides each director with information on his or her duties as a director of

a Maryland corporation. The Company will make available to directors continuing education programs, and each director is expected to participate in such programs.

m. Board Refreshment, Retirement and Term Limits

Board refreshment over time is critical to ensuring that the Board maintains an appropriate balance of tenure and diversity of skills and experience. The Board believes it is desirable to maintain a mix of longer-tenured, experienced directors, who have developed increased knowledge and insight into the Company's operations, and newer directors with fresh perspectives and new ideas. However, the Board does not believe that age and term limits on directors' service are appropriate and does not currently maintain any such standards. In considering whether to nominate an incumbent director for re-election to the Board, the Nominating and Corporate Governance Committee will consider, among other things, the expertise, experience, background and perspectives of the director and their ongoing contributions to the Board and its committees. Each director's continued tenure will be considered annually as part of the annual Board self-evaluation and nomination process.

II. Board Meetings

a. Director Attendance

Each director is expected to spend the time and effort necessary to properly discharge her or his responsibilities. Accordingly, each director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of non-management directors and the Independent Directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

In furtherance of our objective to provide investors with open lines of communication to the directors, the Company has adopted a policy that directors will make reasonable efforts to attend annual meetings of stockholders. Directors' attendance at annual meetings can provide investors with an opportunity to communicate with directors about issues affecting the Company. In addition, the Company discloses the number of directors who attend the annual meetings.

b. Advance Receipt of Meeting Materials

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

III. Leadership Development

a. Annual Review of Chief Executive Officer

The Board, or the appropriate committee thereof, with input from the CEO and the Manager, shall annually establish the performance criteria (including both long-term and short-term goals) to be

considered in connection with the CEO's next annual performance evaluation. At the end of each year, the CEO shall make a presentation or furnish a written report to the Board indicating his or her progress against such established performance criteria. Thereafter, with the CEO absent, the Board shall meet to review the CEO's performance. The results of the review and evaluation shall be communicated to the CEO and the Manager by the Chairman of the Compensation Committee.

b. Succession Planning

The Nominating and Corporate Governance Committee works on a periodic basis with the Manager to review, maintain and revise, if necessary, the Company's succession plan upon the CEO's retirement and in the event of an unexpected occurrence. The Manager shall report annually to the Board on succession planning for the CEO and senior officer positions, including a discussion of assessments, leadership development plans and other relevant factors. There should also be available to the Nominating and Corporate Governance Committee, on a continuing basis, the Manager's recommendations regarding a successor CEO should the current CEO be unexpectedly disabled.

IV. Related Party Transactions

The Company gives careful attention to its review and disclosure of "related party" transactions – namely, transactions between the Company or any of its subsidiaries, on the one hand, and its 5% or greater beneficial owners, directors, or officers, as defined by Item 404 of Regulation S-K of the Securities Act of 1933, on the other hand. The Company's treatment of related party transactions is set forth in the Company's Related Party Transaction Policy, a copy of which is available on the Company's website.