UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ____________

Commission File No. 001-35845

LUMENT FINANCE TRUST

LUMENT FINANCE TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	**45-4966519**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
230 Park Avenue, 20th Floor, New York, New York	**10169**
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code (212) 317-5700

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Exchange on Which Registered:
Common Stock, par value $0.01 per share	LFT	New York Stock Exchange
7.875% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share	LFTPrA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 10, 2026
Common stock, $0.01 par value	52,486,129

LUMENT FINANCE TRUST, INC.

TABLE OF CONTENTS

PART I - Financial Information		
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of June 30, 2026 (unaudited) and December 31, 2025	1
	Consolidated Statements of Operations for the three and six months ended June 30, 2026 (unaudited) and June 30, 2025 (unaudited)	2
	Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2026 (unaudited) and June 30, 2025 (unaudited)	3
	Consolidated Statements of Cash Flows for the six months ended June 30, 2026 (unaudited) and June 30, 2025 (unaudited)	5
	Notes to Unaudited Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures about Market Risks	45
Item 4.	Controls and Procedures	46
PART II - Other Information		46
Item 1.	Legal Proceedings	46
Item 1A.	Risk Factors	46
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3.	Defaults Upon Senior Securities	46
Item 4.	Mine Safety Disclosures	46
Item 5.	Other Information	46
Item 6.	Exhibits	48
Signatures		49

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

LUMENT FINANCE TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

		June 30, 2026[1]		December 31, 2025[1]
		(unaudited)		
ASSETS				
Cash and cash equivalents	$	28,979,474	$	23,112,995
Restricted cash		25,698,479		3,505,087
Commercial mortgage loans held-for-investment, at amortized cost		1,012,913,408		1,136,706,113
Less: Allowance for credit losses		(21,248,582)		(22,658,121)
Commercial mortgage loans held-for-investment, net of allowance for credit losses		991,664,826		1,114,047,992
Real estate owned, held-for-investment, net		50,724,969		26,839,010
Real estate owned, held-for-sale		10,877,081		24,099,072
Mortgage servicing rights, at fair value		506,733		554,246
Accrued interest receivable		4,509,561		5,428,255
Investment related receivable		—		15,449,323
Other assets		2,498,076		2,944,179
Total assets	$	1,115,459,199	$	1,215,980,159
LIABILITIES AND EQUITY				
LIABILITIES				
Securitized debt obligations, net		580,686,518		748,433,484
Secured financing agreements, net		271,140,326		191,943,220
Secured term loan, net		49,667,476		47,719,278
Accrued interest payable		1,424,740		1,869,876
Dividends payable		3,096,945		3,093,470
Fees and expenses payable to Manager		3,065,049		1,428,500
Other liabilities		1,559,776		2,405,613
Total liabilities		910,640,830		996,893,441
COMMITMENTS AND CONTINGENCIES (NOTE 12)				
EQUITY				
Preferred Stock: par value $0.01 per share; 50,000,000 shares authorized; 7.875% Series A Cumulative Redeemable, $60,000,000 aggregate liquidation preference, 2,400,000 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively		57,254,935		57,254,935
Common Stock: par value $0.01 per share; 450,000,000 shares authorized, 52,486,129 and 52,399,265 shares issued and outstanding, at June 30, 2026 and December 31, 2025, respectively		524,864		523,995
Additional paid-in capital		314,993,330		314,889,201
Cumulative distributions to stockholders		(227,525,727)		(220,958,702)
Accumulated earnings		59,471,467		67,277,789
Total stockholders' equity		204,718,869		218,987,218
Noncontrolling interests	$	99,500	$	99,500
Total equity	$	204,818,369	$	219,086,718
Total liabilities and equity	$	1,115,459,199	$	1,215,980,159

(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 June 30, 2026 and December 31, 2025, assets of consolidated VIEs totaled $662,520,376 and $889,507,091, respectively, and the liabilities of consolidated VIEs totaled $581,587,437 and $750,274,556, respectively. See Note 4 for further discussion.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

LUMENT FINANCE TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Revenues:				
Interest income:				
Commercial mortgage loans held-for-investment	$ 18,946,403	$ 19,976,355	$ 39,847,945	$ 41,661,245
Cash and cash equivalents	102,828	602,563	268,675	1,227,530
Interest expense:				
Securitized debt obligations	(8,582,040)	(12,646,774)	(18,957,805)	(26,283,248)
Secured financing agreements	(4,700,649)	—	(8,555,754)	—
Secured term loan	(1,263,812)	(971,365)	(2,403,653)	(1,910,214)
Net interest income	4,502,730	6,960,779	10,199,408	14,695,313
Expenses:				
Management and incentive fees	1,088,516	1,302,526	2,183,516	2,415,840
General and administrative expenses	1,409,608	1,006,961	2,476,345	1,931,021
Operating expenses reimbursable to Manager	623,404	494,801	1,089,835	899,421
Other operating expenses	622,726	240,527	1,539,898	280,536
Compensation expense	111,250	111,250	222,500	222,500
Total expenses	3,855,504	3,156,065	7,512,094	5,749,318
Other income and expense:				
Provision for credit losses, net	(8,625,695)	(94,768)	(7,893,322)	(5,792,429)
Net (expense) from real estate owned operations	(210,847)	—	(302,253)	—
Gain on sale of real estate owned	145,435	—	145,435	—
Real estate owned impairment expense	—	—	(1,350,435)	—
Change in unrealized (loss) on mortgage servicing rights	(17,268)	(36,456)	(47,513)	(58,974)
Loss on extinguishment of debt	—	—	(1,152,861)	—
Servicing income, net	37,499	13,199	91,920	78,079
Total other income and expense	(8,670,876)	(118,025)	(10,509,029)	(5,773,324)
Net (loss) income before provision for income taxes	(8,023,650)	3,686,689	(7,821,715)	3,172,671
Benefit from (provision for) income taxes	10,745	4,084	15,393	(4,466)
Net (loss) income	(8,012,905)	3,690,773	(7,806,322)	3,168,205
Dividends accrued to preferred stockholders	(1,185,043)	(1,185,042)	(2,370,001)	(2,370,000)
Net (loss) income attributable to common stockholders	$ (9,197,948)	$ 2,505,731	$ (10,176,323)	$ 798,205
Earnings per share:				
Net (loss) income attributable to common stockholders (basic and diluted)	$ (9,197,948)	$ 2,505,731	$ (10,176,323)	$ 798,205
Weighted average number of shares of common stock outstanding	52,459,976	52,332,304	52,430,232	52,321,157
Basic and diluted income per share	$ (0.18)	$ 0.05	$ (0.19)	$ 0.02
Dividends declared per share of common stock	$ 0.04	$ 0.06	$ 0.08	$ 0.14

The accompanying notes are an integral part of these unaudited consolidated financial statements.

LUMENT FINANCE TRUST, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Earnings	Total Stockholders' Equity	Noncontrolling interests	Total Equity
	Shares	Value	Shares	Par Value						
Balance at December 31, 2025	**2,400,000**	**$ 57,254,935**	**52,399,265**	**$ 523,995**	**$ 314,889,201**	**$ (220,958,702)**	**$ 67,277,789**	**$ 218,987,218**	**$ 99,500**	**$ 219,086,718**
Issuance of common stock	—	—	40,198	402	52,097	—	—	$ 52,499	—	$ 52,499
Net income	—	—	—	—	—	—	206,583	$ 206,583	—	$ 206,583
Common stock dividends	—	—	—	—	—	(2,097,579)	—	$ (2,097,579)	—	$ (2,097,579)
Preferred stock dividends	—	—	—	—	—	(1,184,958)	—	(1,184,958)	—	$ (1,184,958)
Balance at March 31, 2026	**2,400,000**	**$ 57,254,935**	**52,439,463**	**$ 524,397**	**$ 314,941,298**	**$ (224,241,239)**	**$ 67,484,372**	**$ 215,963,763**	**$ 99,500**	**$ 216,063,263**
Issuance of common stock	—	—	46,666	467	52,032	—	—	$ 52,499	—	$ 52,499
Net income	—	—	—	—	—	—	(8,012,905)	$ (8,012,905)	—	$ (8,012,905)
Common stock dividends	—	—	—	—	—	(2,099,445)	—	$ (2,099,445)	—	$ (2,099,445)
Preferred stock dividends	—	—	—	—	—	(1,185,043)	—	$ (1,185,043)	—	$ (1,185,043)
Balance at June 30, 2026	**2,400,000**	**$ 57,254,935**	**52,486,129**	**$ 524,864**	**$ 314,993,330**	**$ (227,525,727)**	**$ 59,471,467**	**$ 204,718,869**	**$ 99,500**	**$ 204,818,369**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

LUMENT FINANCE TRUST, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
(unaudited)

	Preferred Stock		Common Stock			Cumulative				
	Shares	Value	Shares	Value	Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Earnings	Total Stockholders' Equity	Noncontrolling interests	Total Equity
Balance at December 31, 2024	**2,400,000**	**$57,254,935**	**52,309,209**	**$ 523,093**	**$314,700,120**	**$ (204,701,714)**	**$ 70,023,098**	**$237,799,532**	**$ 99,500**	**$237,899,032**
Issuance of common stock	—	—	15,263	153	42,339	—	—	42,492	—	**42,492**
Net (loss)	—	—	—	—	—	—	(522,568)	(522,568)	—	**(522,568)**
Common stock dividends	—	—	—	—	—	(4,185,958)	—	(4,185,958)	—	**(4,185,958)**
Preferred stock dividends	—	—	—	—	—	(1,184,958)	—	(1,184,958)	—	**(1,184,958)**
Balance at March 31, 2025	**2,400,000**	**$57,254,935**	**52,324,472**	**$ 523,246**	**$314,742,459**	**$ (210,072,630)**	**$ 69,500,530**	**$231,948,540**	**$ 99,500**	**$232,048,040**
Issuance of common stock	—	—	16,574	166	42,330	—	—	42,496	—	**42,496**
Net income	—	—	—	—	—	—	3,690,773	3,690,773	—	**3,690,773**
Common stock dividends	—	—	—	—	—	(3,140,463)	—	(3,140,463)	—	**(3,140,463)**
Preferred stock dividends	—	—	—	—	—	(1,185,042)	—	(1,185,042)	—	**(1,185,042)**
Balance at June 30, 2025	**2,400,000**	**$57,254,935**	**52,341,046**	**$ 523,412**	**$314,784,789**	**$ (214,398,135)**	**$ 73,191,303**	**$231,356,304**	**$ 99,500**	**$231,455,804**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

LUMENT FINANCE TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net income (loss)	$ (7,806,322)	$ 3,168,205
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Accretion of commercial mortgage loans held-for-investment discounts	(971,833)	(1,181,563)
Accretion of deferred loan fees	(1,270,053)	(1,192,902)
Amortization of deferred financing costs	1,402,116	627,596
Provision for credit losses, net	7,893,322	5,842,433
Depreciation and amortization	695,157	138,777
(Gain) on sale of real estate owned	(145,435)	—
Loss on extinguishment of debt	1,152,861	—
Real estate owned impairment expense	1,350,435	—
Unrealized loss on mortgage servicing rights	47,513	58,974
Non-cash compensation expense	104,999	84,987
Net change in:		
Accrued interest receivable	918,694	310,299
Other assets	355,071	(542,998)
Accrued interest payable	(445,136)	(515,352)
Fees and expenses payable to Manager	1,636,549	231,869
Other liabilities	(845,837)	675,136
Net cash provided by operating activities	4,072,101	7,705,461
Cash flows from investing activities:		
Purchase and funding of commercial mortgage loans held-for-investment	(138,791,911)	(3,605,000)
Purchase of real estate owned	(246,437)	—
Principal payments from commercial mortgage loans held-for-investment	244,397,863	118,376,467
Proceeds from sale of real estate owned	12,611,050	—
Cash assumed from acquisition of real estate owned	1,044,784	—
Capital expenditures on real estate owned, held-for-investment	(523,591)	—
Deferred loan fees	1,385,963	1,186,611
Net cash provided by investing activities	119,877,721	115,958,078
Cash flows from financing activities:		
Dividends paid on common stock	(4,193,549)	(13,078,523)
Dividends paid on preferred stock	(2,370,001)	(2,370,000)
Proceeds from secured financing agreements	191,617,908	—
Proceeds from secured term loan	2,250,000	—
Payment of secured financing agreements	(112,814,342)	—
Payment of securitized debt obligations	(169,655,462)	(119,031,157)
Payment of deferred financing costs	(724,505)	—
Net cash (used in) financing activities	(95,889,951)	(134,479,680)
Net increase (decrease) in cash, cash equivalents and restricted cash	28,059,871	(10,816,141)
Cash, cash equivalents and restricted cash, beginning of period	26,618,082	71,564,098
Cash, cash equivalents and restricted cash, end of period	$ 54,677,953	$ 60,747,957
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 28,977,698	$ 28,081,380
Cash paid for income taxes	$ 19,550	$ —
Non-cash investing and financing activities information		
Dividends declared but not paid at end of period	$ 3,096,945	$ 4,137,962
Transfer of senior loans to real estate owned, held-for-investment	$ 23,353,185	$ 23,957,120
Accrued capital expenditures on real estate owned	$ 84,611	$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Lument Finance Trust, Inc. (together with its consolidated subsidiaries, the "Company" or "LFT"), is a Maryland corporation that focuses primarily on investing in, originating, financing, and managing a portfolio of commercial real estate ("CRE") debt investments. The Company is externally managed by Lument Investment Management (the "Manager" or "Lument IM"). The Company's common stock is listed on the NYSE under the symbol "LFT."

The Company was incorporated on March 28, 2012 and commenced operations on May 16, 2012. The Company began trading as a publicly traded company on March 22, 2013.

The Company has elected to be taxed as a real estate investment trust ("REIT") and to comply with Sections 856 through 859 of the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent of its distributions to stockholders and for so long as certain asset, income and share ownership tests are met.

Our Chief Executive Officer is the Chief Operating Decision Maker ("CODM") who allocates resources and assesses financial performance. The CODM reviews net income (loss) attributable to LFT and assesses the performance of LFT's current portfolio of leveraged commercial real estate loans and makes operating decisions accordingly. As a result, LFT conducts its business as a single operating segment. All expense categories on the Consolidated Statements of Operations are significant and there are no other significant expenses that would require disclosure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in the financial statements prepared under GAAP have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These consolidated financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, which was filed with the Securities and Exchange Commission ("SEC") on March 23, 2026.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and all subsidiaries which it controls (i) through voting or similar rights or (ii) by means other than voting rights if the Company is the primary beneficiary of a variable interest entity ("VIE"). All significant intercompany transactions have been eliminated on consolidation.

Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the Company to make a number of significant estimates. These include estimates of fair value of certain assets and liabilities, amount and timing of credit losses, prepayment rates, and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the financial statements and the reported amounts of certain revenues and expenses during the reported period. It is likely that changes in these estimates (e.g. valuation changes due to supply and demand, credit performance, prepayments, interest rates, or other reasons) will occur in the near term. The Company's estimates are inherently subjective in nature and actual results could differ from its estimates and the differences may be material.

Variable Interest Entities

An entity is considered a VIE when any of the following applies: (1) the equity investors (if any) lack one or more essential characteristics of a controlling financial interest; (2) the equity investment at risk is not sufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is the primary beneficiary. The primary beneficiary is defined as the entity having both the following characteristics: (1) the power to direct activities that, when taken together, most significantly impact the VIE's performance; and (2) the obligation to absorb losses and right to receive returns from the VIE that would be significant to the VIE.

The Company performs an ongoing reassessment of whether changes in facts and circumstances regarding its involvement with a VIE cause the Company's consolidation conclusion regarding the VIE to change. At June 30, 2026, the Company determined it was the primary beneficiary of LMNT 2025-FL3, LLC ("LMNT 2025-FL3 CLO") based on its power to direct the activities that most significantly impact the economic performance of LMNT 2025-FL3 CLO and its obligation to absorb losses derived from ownership of its junior retained notes and preferred shares. Accordingly, the Company consolidated the assets, liabilities, income and expenses of the underlying issuing entities. In December 2025, the Company no longer consolidated LFT CRE 2021-FL1, Ltd. and LFT CRE 2021-FL1, LLC (together, the "2021-FL1 CLO") and in February 2026, the Company no longer consolidated LMF 2023-1, LLC ("LMF 2023-1 Financing") due to their respective redemptions of all outstanding issued notes.

Securitized debt obligations

Collateralized loan obligations ("CLO") and secured financings represent third-party liabilities of LMNT 2025-FL3 CLO and prior to their redemptions in the fourth quarter of 2025 and first quarter of 2026, 2021-FL1 CLO and LMF 2023-1 Financing, respectively. The LMNT 2025-FL3 CLO is a VIE and prior to their redemptions 2021-FL1 CLO and LMF 2023-1 Financing were VIEs and Management determined that the Company is the primary beneficiary of LMNT 2025-FL3 CLO and was the primary beneficiary of 2021-FL1 CLO and LMF 2023-1 Financing prior to their redemptions. Accordingly, the Company consolidates the assets, liabilities (other than the below investment grade-rated notes of LMNT 2025-FL3 CLO and prior to their respective redemptions the 2021-FL1 CLO and LMF 2023-1 Financing retained by the Company that are eliminated on consolidation), income and expense of LMNT 2025-FL3 CLO and

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

prior to their respective redemptions the 2021-FL1 CLO and LMF 2023-1 Financing. The third-party obligations of the LMNT 2025-FL3 CLO do not have any recourse to the Company and prior to their respective redemptions the third-party obligations of the 2021-FL1 CLO and LMF 2023-1 Financing did not have any recourse to the Company as the consolidator of the CLO and secured financing issuing entities. The third-party obligations of LMNT 2025-FL3 CLO and prior to their respective redemptions the 2021-FL1 CLO and LMF 2023-1 Financing are carried at their outstanding unpaid principal balances, net of any deferred financing costs. Any premiums, discounts or deferred financing costs associated with these third-party obligations are amortized to interest expense using the effective interest method over the expected average life of the related obligations, or on a straight-line basis when it approximates the effective interest method. The Company's maximum exposure to loss from CLO and secured financings was $78,827,950 at June 30, 2026 and $147,427,950 at December 31, 2025, respectively.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents at the time of purchase include cash held in bank accounts on an overnight basis and other short term deposit accounts with banks having maturities of 90 days or less at the time of acquisition. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Restricted cash primarily includes (1) proceeds from principal payments and interest payments held by the securitization trust which have yet to be reinvested or distributed, (2) proceeds from principal and interest payments held in our secured financing agreements which have yet to be distributed, (3) interest reserve accounts related to our secured financing agreements and (4) funds on deposit with financial institutions related to real estate owned properties that are held in the Company's consolidated VIEs.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the statement of cash flows:

	June 30, 2026	December 31, 2025
Cash and cash equivalents	$ 28,979,474	$ 23,112,995
Restricted cash held in securitized debt obligations	$ 17,502,400	$ 2,253,629
Other restricted cash	$ 8,196,079	$ 1,251,458
Total cash, cash equivalents and restricted cash	**$ 54,677,953**	**$ 26,618,082**

Deferred Offering Costs

Direct costs incurred to issue shares classified as equity, such as legal and accounting fees, are deducted from the related proceeds and the net amount recorded as stockholders' equity. Accordingly, payments made by the Company in respect of such costs related to the issuance of shares are recorded as an asset in the accompanying consolidated balance sheets in the line item "Other assets", for subsequent deduction from the related proceeds upon closing of the offering. To the extent that certain costs, in particular legal fees, are known to have been accrued but have not yet been invoiced and paid, they are included in "Other accounts payable and accrued expenses" on the accompanying consolidated balance sheets.

Fair Value Measurements

The "Fair Value Measurements and Disclosures" Topic 820 of the FASB, or ASC 820, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurement under GAAP. Specifically, the guidance defines fair value based on exit price, or the price that would be received upon the sale of an asset or the transfer of a liability in an orderly transaction between market participants at measurement date. ASC 820 specifies a hierarchy of valuation techniques based on the inputs used in measuring fair value.

Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable market data from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels are defined as follows:

- **Level 1 Inputs** – Quoted prices for identical instruments in active markets.
- **Level 2 Inputs –** Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- **Level 3 Inputs –** Instruments with primarily unobservable value drivers.

Pursuant to ASC 820, we disclose fair value information about financial instruments, which are not otherwise reported at fair value in our consolidated balance sheet, to the extent it is practicable to estimate fair value for such instruments.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument, for which it is practicable to estimate that value:

- **Cash and cash equivalents**: The carrying amount of cash and cash equivalents approximates fair value.
- **Restricted cash**: The carrying amount of restricted cash approximates fair value.
- **Commercial mortgage loans**: The Company considers commercial mortgage loans to be Level 3 assets in the fair value hierarchy as such assets are illiquid, structured investments that are specific to the sponsor, underlying property and its operating performance. The Company determines the fair value of commercial mortgage loans by utilizing a pricing model based on discounted cash flow methodologies using discount rates, which reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. Additionally, the Company may record fair value adjustments on a non-recurring basis when it has determined it necessary to record a specific impairment reserve or charge-off against a loan and the Company measures such specific reserve or charge-off using the fair value of the loan's collateral. To determine the fair value of loan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

collateral, the Company employs the income capitalization approach, appraised values, broker opinions of value, sale offers, letters of intent to purchase, or other valuation benchmarks, as applicable, depending upon the nature of such collateral and other relevant market factors.

- **Mortgage servicing rights ("MSRs")**: The Company classifies MSRs as Level 3 assets in the fair value hierarchy. The Company determines the fair value of MSRs from a third-party pricing service on a recurring basis. The third-party pricing service uses common market pricing methods that include using discounted cash flow models to calculate present value, estimated net servicing income and observed market pricing for MSR purchase and sale transactions. The model considers contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors.
- **Securitized debt obligations**: The Company determines the fair value of collateralized loan obligations and secured financings by utilizing a third-party pricing service. In determining the value of a particular investment, pricing service providers may use market spreads, inventory levels, trade and bid history, as well as market insight from clients, trading desks and global research platform.
- **Secured financing agreements:** The Company determines the fair value based on the rate at which a similar agreement would currently be priced.
- **Secured term loan**: The Company determines the fair value of its secured term loan based on a discounted cash flow methodology.
- Secured financing agreements: The Company determines the fair value based on the rate at which a similar agreement would currently be priced.
- **Other assets and liabilities:** The carrying amounts of other assets and liabilities, including receivables, payables and accrued liabilities approximate fair value as of the balance sheet date due to their short-term maturities.

Commercial Mortgage Loans Held-for-Investment

Commercial mortgage loans held-for-investment represent floating-rate transitional loans and other commercial mortgage loans purchased or originated by the Company. These loans include loans sold into securitizations that the Company consolidates. Commercial mortgage loans held-for-investment are intended to be held-to-maturity and, accordingly, are carried at their unpaid principal balances, adjusted for net unamortized loan fees and costs (in respect of originated loans), premiums and discounts (in respect of purchased loans) and impairment, if any. Commercial mortgage loans held-for-investment principal repayments received after remittance dates are held by the servicer and reported as "Investment related receivable" in the consolidated balance sheets.

Interest income is recognized as revenue using the effective interest method and is recorded on the accrual basis according to the terms of the underlying loan agreement. Any fees, costs, premiums and discounts associated with these loan investments are deferred and amortized over the term of the loan on a straight-line basis approximating the effective interest method. Income accrual is generally suspended and loans are placed on non-accrual status on the earlier of the date at which payment has become 90 days past due or when full and timely collection of interest and principal is considered not probable. The Company may return a loan to accrual status when repayment of principal and interest is reasonably assured under the terms of the underlying loan agreement.

The Company recognizes and measures the allowance for credit losses under the Current Expected Credit Loss ("CECL") model which amended the previous credit loss model to reflect a reporting entity's current estimate of all expected credit losses, not only based on historical experience and current economic conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, and off-balance credit exposures such as unfunded loan commitments. The allowance for credit losses required under the FASB ASC Topic *"Financial Instruments - Credit Losses,"* or ASC 326, is included in "Allowance for credit losses" on our consolidated balance sheets. The allowance for credit losses attributed to unfunded loan commitments is included in "Other liabilities" on the consolidated balance sheets.

The Company estimates the allowance for credit losses for its portfolio on a collective basis, including unfunded loan commitments, for loans that share similar risk characteristics. The calculation is applied at the loan level. The allowance for credit losses estimation methodology used by LFT includes a probability of default and loss given default method utilizing a widely used third-party analytical model with historical loan losses for over 125,000 commercial real estate loans dating back to 1998. Within this data set, we focused our historical loss information on the most relevant subset of available CRE data, which we determined based on loan metrics that are most comparable to our loan portfolio including asset type, spread to interest rate, unpaid principal balance and origination loan-to-value, or LTV. The Company uses this proxy data set, or variants of it, unless the Company develops its own sufficient history of realized losses. The Company determined the key variables driving its allowance for credit losses estimate are debt service coverage ratio and LTV ratio. Other notable variables include property type, property location and loan vintage. The Company determines its allowance for credit loss estimate based on the weighting of multiple macroeconomic forecast scenarios driven by macroeconomic variables such as gross domestic product ("GDP"), unemployment rate, federal funds target rate and core personal consumption expenditure ("PCE") among others, during the reasonable and supportable forecast period. The reasonable and supportable forecast period is currently one year, however, the Company regularly evaluates the reasonable and supportable forecast period to determine if a change is needed based on our assessment of the most likely scenario of assumptions and plausible outcomes for the U.S. economy. For the period beyond which the Company is able to make reasonable and supportable forecasts, the Company reverts, on a straight-line basis over four quarters, to the historical loss information derived from CRE data set.

Any loans considered to be a Default Risk or otherwise deemed to be collateral dependent will be individually evaluated for a specific allowance for credit losses. A loan is considered collateral dependent when the Company determines that the facts and circumstances of the loan deem the debtor to be experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. If a loan is considered to be collateral dependent, a specific allowance for credit losses is recorded to reduce the carrying value of the loan through a charge to the provision for (reversal of) credit losses. The specific allowance for credit losses is measured by comparing the estimated fair value of the underlying collateral, less costs to sell, to the amortized cost of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, market rents, occupancy rates, and other factors deemed necessary by the Manager. Actual losses, if any, could ultimately differ from estimated losses.

Quarterly, the Company assesses the risk factors of each loan classified as held-for-investment and assigns a risk rating based on a variety of factors, including, without limitation, debt-service coverage ratio ("DSCR"), loan-to-value ratio ("LTV"), property type, geographic and local market dynamics, physical condition, leasing and tenant profile, adherence to business plan and exit plan, maturity default risk and project sponsorship. The Company's loans are rated on a 5-point scale, from least risk to greatest risk, respectively, which ratings are described as follows:

1. **Very Low Risk**: exceeds expectations and is outperforming underwriting or it is very likely that the underlying loan can be refinanced easily in the period's prevailing capital market conditions
2. **Low Risk**: meeting or exceeding underwritten expectations

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. **Moderate Risk**: consistent with underwritten expectations or the sponsor may be in the early stages of executing the business plan and the loan structure appropriately mitigates additional risks
4. **High Risk**: potential risk of default, a loss may occur in the event of default
5. **Default Risk**: imminent risk of default, a loss is likely in the event of default

Real Estate Owned

To maximize recovery from a defaulted loan, the Company may assume legal title or physical possession of the underlying collateral through foreclosure or the execution of a deed in lieu of foreclosure. Real estate acquired through a foreclosure or by deed in lieu of foreclosure is classified as real estate owned, net ("REO") in the consolidated balance sheets. REO assets are initially recognized at estimated fair value in accordance with ASC Topic 805, *"Business Combinations"* and are shown net of accumulated depreciation and impairment charges.

REO assets held for investment, except for land, are depreciated using the straight-line method over their estimated useful lives ranging from seven to thirty-nine years. Renovations and/or replacements that improve or extend the life of the REO asset are capitalized and depreciated over their estimated useful lives. The cost of ordinary repairs and maintenance are expensed as incurred.

REO assets held for investment are reviewed for impairment each quarter if events or circumstances change indicating that the carrying amount of an asset may not be recoverable. The Company recognizes impairment if the undiscounted estimated cash flows to be generated by an asset are less than the carrying amount of such asset. Measurement of impairment is based on the asset's estimated fair value. The evaluation of anticipated future cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates, capital requirements and anticipated holding periods that could differ materially from actual results.

REO assets are classified as held for sale in the period when they meet the criteria under ASC Topic 360, *"Property, Plant and Equipment."* Once a REO asset is classified as held for sale, depreciation is suspended and the asset is reported at the lower of carrying value or fair value less cost to sell.

We recognize sales of real estate properties, including the respective gains and losses, upon closing, when control of the asset transfers to the buyer, when it is probable that we will collect substantially all of the agreed upon consideration, and we are not obligated to perform significant activities after the sale.

Mortgage Servicing Rights, at Fair Value

Mortgage servicing rights ("MSRs") are associated with residential mortgage loans that the Company historically purchased and subsequently sold or securitized. MSRs are held and managed at Five Oaks Acquisition Corp. ("FOAC"), the Company's taxable REIT subsidiary ("TRS"). As the owner of MSRs, the Company is entitled to receive a portion of the interest payments from the associated residential mortgage loan, and is obligated to service, directly or through a subservicer, the associated loan. MSRs are reported at fair value. Residential mortgage loans for which the Company owns the MSRs are directly serviced by two subservicers retained by the Company. The Company does not directly service any residential mortgage loans.

MSR income is recognized at the contractually agreed upon rate, net of the costs of subservicers retained by the Company.

Secured Financing Agreements

We record investments financed with secured debt as separate assets and the related borrowings under any secured debt are recorded as separate liabilities on our consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the secured debt are reported separately on our consolidated statements of operations. The secured financing agreements are carried at their unpaid principal balance, net of deferred financing costs. Deferred financing costs associated with these liabilities are amortized to interest expense on a straight-line basis when it approximates the effective interest method. See Note 7 for additional information related to our secured financing agreements.

Secured Term Loan

The Company and certain of its subsidiaries are party to a $50.0 million credit and guaranty agreement with the lenders referred to therein and Cortland Capital Service LLC, as administrative agent and collateral agent for the lenders (the "Secured Term Loan"). The Secured Term Loan is carried at its unpaid principal balance, net of deferred financing costs. Deferred financing costs associated with these liabilities are amortized ratably or on a straight-line basis over the respective contractual term to interest expense when it approximates the effective interest method. See Note 8 for additional information related to the Secured Term Loan.

Common Stock

At June 30, 2026 and December 31, 2025, the Company was authorized to issue up to 450,000,000 shares of common stock, par value $0.01 per share. The Company had 52,486,129 and 52,399,265 shares of common stock issued and outstanding at June 30, 2026 and December 31, 2025, respectively.

Stock Repurchase Program

On December 15, 2015, the Company's Board of Directors (the "Board") authorized a stock repurchase program ("Repurchase Program") to repurchase up to $10 million of the Company's outstanding common stock. Subject to applicable securities laws, repurchase of common stock under the Repurchase Program may be made at times and in amounts as the Company deems appropriate, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be canceled and, until reissued by the Company, will be deemed to be authorized but unissued shares of common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice.

Preferred Stock

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At June 30, 2026 and December 31, 2025, the Company was authorized to issue up to 50,000,000 shares of preferred stock, par value $0.01 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Board. On May 5, 2021, the Company issued 2,400,000 shares of 7.875% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"). The Company had 2,400,000 shares of preferred stock issued and outstanding at June 30, 2026 and December 31, 2025, respectively. Our preferred stock is classified as permanent equity and carried at its liquidation preference less offering costs. See Note 14 for additional information related to our Series A Preferred Stock.

Income Taxes

The Company has elected to be taxed as a REIT under the Code for U.S. federal income tax purposes, commencing with the Company's short taxable period ended December 31, 2012. A REIT is generally taxable as a U.S. C-Corporation; however, so long as the Company qualifies as a REIT it is entitled to a special deduction for dividends paid to stockholders not otherwise available to corporations. Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent its distributions to stockholders equals, or exceeds, its REIT taxable income for the year. In addition, the Company must continue to meet certain REIT qualification requirements with respect to distributions, as well as certain asset, income and share ownership tests, in accordance with Sections 856 through 860 of the Code, as summarized below. In addition, the TRS is maintained to perform certain services and earn income for the Company that the Company is not permitted to engage in as a REIT.

To maintain its qualification as a REIT, the Company must meet certain requirements, including but not limited to the following: (i) distribute at least 90% of its REIT taxable income to its stockholders; (ii) invest at least 75% of its assets in REIT qualifying assets, with additional restrictions with respect to asset concentration risk; and (iii) earn at least 95% of its gross income from qualifying sources of income, including at least 75% from qualifying real estate and real estate related sources. Regardless of the REIT election, the Company may also be subject to certain state, local, and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax as a U.S. C-Corporation, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders.

Certain activities of the Company are conducted through a TRS and therefore are taxed as a standalone U.S. C-Corporation. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The TRS is not subject to a distribution requirement with respect to its REIT owner. The TRS may retain earnings annually, resulting in an increase in the consolidated book equity of the Company without a corresponding distribution requirement by the REIT. If the TRS generates net income, and declares dividends to the Company, such dividends will be included in its taxable income and necessitate a distribution to its stockholders in accordance with the REIT distribution requirements.

The Company assesses its tax positions for all open tax years and determines whether the Company has any material unrecognized liabilities in accordance with ASC 740, *Income Taxes*. The Company records these liabilities to the extent the Company deems them more likely than not to be incurred. The Company's accounting policy with respect to interest and penalties is to classify these amounts as other interest expense.

Earnings per Share

The Company calculates basic and diluted earnings per share by dividing net income (loss) attributable to common stockholders for the period by the weighted-average shares of the Company's common stock outstanding for that period. Diluted earnings per share considers the effect of dilutive instruments, such as warrants, stock options, and unvested restricted stock, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. See Note 15 for details of the computation of basic and diluted earnings per share.

Stock-Based Compensation

The Company is required to recognize compensation costs relating to stock-based payment transactions in the consolidated financial statements. The Company accounts for share-based compensation using the fair-value based methodology prescribed by ASC 718, *Share-Based Payment* ("ASC 718"). Compensation cost related to restricted common stock issued to the Company's independent directors is measured at its estimated fair value at the grant date and amortized and expensed over the vesting period. The Company's prior equity incentive plan expired on December 18, 2022 and is no longer being used to issue new equity awards.

Comprehensive Income (Loss) Attributable to Common Stockholders

For the three and six months ended June 30, 2026 and 2025, comprehensive (loss) income equaled net (loss) income; therefore, a separate statement of comprehensive income is not included in the accompanying consolidated financial statements.

Recently Issued and/or Adopted Accounting Standards

Income Statement

In November 2024, the FASB issued ASU 2024-03, *"Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)."* ASU 2024-03 requires a public business entity to provide disaggregated disclosures, in the notes to the financial statements, of certain categories of expense that are included in expense line items on the face of the income statement. The guidance is effective on either a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026, for interim periods within fiscal years beginning after December 15, 2027, and early adoption is permitted. The Company has not early adopted ASU 2024-03 and does not expect the adoption of ASU 2024-03 to have a material impact on our consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interim Reporting

In December 2025, the FASB issued ASU No. 2025-11, *"Interim Reporting (Topic 270)—Narrow-Scope Improvements"*, which provides a clearer framework and more consistent application of interim disclosure requirements for public business entities. The guidance is effective for annual periods beginning after December 15, 2027. The guidance is applied prospectively and may be applied retrospectively. Adoption is not expected to have a material impact on our consolidated financial statements.

Codification Improvements

In December 2025, the FASB issued ASU No. 2025-12, *"Codification Improvements"*, which refines existing guidance to further enhance the interpretation and application of the Codification. The guidance is effective for annual periods beginning after December 15, 2026. The guidance is applied prospectively and may be applied retrospectively. Adoption is not expected to have a material impact on our consolidated financial statements.

NOTE 3 - COMMERCIAL MORTGAGE LOANS HELD-FOR-INVESTMENT

The following tables summarize certain characteristics of the Company's investments in commercial mortgage loans as of June 30, 2026 and December 31, 2025:

				Weighted Average		
Loan Type	**Unpaid Principal Balance**	**Carrying Value[1]**	**Loan Count**	**Floating Rate Loan %**	**Coupon[2]**	**Term (Years)[3]**
June 30, 2026						
Loans held-for-investment						
Senior secured loans[4]	$ 1,014,665,959	$ 1,012,913,408	51	100.0 %	7.0 %	
Allowance for credit losses	N/A	(21,248,582)				
	1,014,665,959	**991,664,826**	**51**	**100.0 %**	**7.0 %**	

				Weighted Average		
Loan Type	**Unpaid Principal Balance**	**Carrying Value[1]**	**Loan Count**	**Floating Rate Loan %**	**Coupon[2]**	**Term (Years)[3]**
December 31, 2025						
Loans held-for-investment						
Senior secured loans[4]	$ 1,140,268,217	$ 1,136,706,113	61	100.0 %	7.2 %	
Allowance for credit losses	N/A	(22,658,121)				
	1,140,268,217	**1,114,047,992**	**61**	**100.0 %**	**7.2 %**	

(1) Carrying Value includes $815,303 and $1,657,584 in unamortized purchase discounts as of June 30, 2026 and December 31, 2025, respectively.
(2) Weighted average coupon assumes applicable 30-day term Secured Overnight Financing Rate ("SOFR") of 3.61% and 3.85% as of June 30, 2026 and December 31, 2025, respectively, inclusive of weighted average interest rate floor of 2.70% and 2.18%, respectively. As of June 30, 2026 and December 31, 2025, 100.0% of the investments by total investment exposure earned a floating rate indexed to 30-day term SOFR.
(3) Weighted average remaining term assumes all extension options are exercised by the borrower; provided, however, that our loans may be repaid prior to such date.
(4) As of June 30, 2026, $642,093,223 of the outstanding senior secured loans were held in VIEs and $349,571,603 of the outstanding senior secured loans were held outside of VIEs. As of December 31, 2025, $856,064,487 of the outstanding senior secured loans were held in VIEs and $257,983,507 of the outstanding senior secured loans were held outside of VIEs.

Activity: For the six months ended June 30, 2026, the loan portfolio activity was as follows:

	Commercial Mortgage Loans Held-for-Investment
Balance at December 31, 2025	**$ 1,114,047,992**
Purchases and advances	138,921,463
Principal payments	(230,790,155)
Transfer to real estate owned	(32,650,387)
Charge-offs	9,302,861
Purchase discount	(129,549)
Origination and other loan fees	(1,385,963)
Accretion of purchase discount	971,833
Accretion of deferred loan fees	1,270,053

NOTE 3 - COMMERCIAL MORTGAGE LOANS HELD-FOR-INVESTMENT (Continued)

Provision for allowance for credit losses	(7,893,322)
Balance at June 30, 2026	**$ 991,664,826**

Loan Risk Ratings: As further described in Note 2, the Company evaluates the commercial mortgage loan portfolio on a quarterly basis and assigns a risk rating based on a variety of factors. The following table presents the principal balance and net book value of the loan portfolio based on the Company's internal risk ratings as of June 30, 2026 and December 31, 2025:

June 30, 2026								
			Amortized Cost by Year of Origination					
Risk Rating	**Number of Loans**	**Outstanding Principal**	**2026**	**2025**	**2024**	**2023**	**2022**	**2021**
1	—	$ —	$ —		$ —	$ —	$ —	$ —
2	11	190,807,433	50,021,109	43,968,519	42,885,734	—	80,318,209	23,217,812
3	28	613,595,339	—	162,188,656	121,913,132	—	128,174,669	147,836,182
4	6	112,179,473	—	—	—	—	38,806,164	71,851,879
5	6	98,083,714	—	—	—	—	47,746,040	32,736,721
	51	**$ 1,014,665,959**	**$ 50,021,109**	**$ 206,157,175**	**$ 164,798,866**	**$ —**	**$ 295,045,082**	**$ 275,642,594**

December 31, 2025							
			Amortized Cost by Year of Origination				
Risk Rating	**Number of Loans**	**Outstanding Principal**	**2025**	**2024**	**2023**	**2022**	**2021**
1	—	$ —	$ —	$ —	$ —	$ —	$ —
2	9	161,089,912	43,904,254	48,438,856	—	68,375,256	—
3	38	752,514,730	182,723,449	133,591,415	—	134,038,225	297,723,546
4	6	109,281,497	—	—	—	73,034,316	34,009,099
5	8	117,382,078	—	—	—	84,542,855	13,666,721
	61	**$ 1,140,268,217**	**$ 226,627,703**	**$ 182,030,271**	**$ —**	**$ 359,990,652**	**$ 345,399,366**

As of June 30, 2026, the average risk rating of the commercial mortgage loan portfolio was 3.1 (Moderate Risk), weighted by investment carrying value, with 80.7% of commercial loans held-for-investment rated 3 (Moderate Risk) or better by the Company's Manager.

As of December 31, 2025, the average risk rating of the commercial mortgage loan portfolio was 3.2 (Moderate Risk), weighted by investment carrying value, with 81.6% of commercial loans held-for-investment rated 3 (Moderate Risk) or better by the Company's Manager.

The average risk rating of the portfolio declined during the six months ended June 30, 2026. The change in underlying risk rating consisted of loans that paid off with a risk rating of "2" of $15.3 million, a risk rating of "3" of $192.4 million and a risk rating of "5" of $24.1 million during the six months ended June 30, 2026, partially offset by funding of loans with a risk rating of "3" of $137.5 million and a risk rating of "5" of $1.1 million. Additionally, $17.0 million of loans with a risk rating of "2" transitioned to a risk rating of "3," $62.1 million of loans with a risk rating of "3" transitioned to a risk rating of "2," $58.5 million of loans with a risk rating of "3" transitioned to a risk rating of "4," $21.9 million of loans with a risk rating of "3" transitioned to a risk rating of "5," $41.4 million of loans with a risk rating of "4" transitioned to a risk rating of "3" and $14.2 million of loans with a risk rating of "4" transitioned to a risk rating of "5". Further, $32.4 million of loans with a risk rating of "5" were foreclosed and moved to REO.

Concentration of Credit Risk: The following tables present the geographic and property types of collateral underlying the Company's commercial mortgage loans as a percentage of the loans' carrying value as of June 30, 2026 and December 31, 2025:

Loans Held-for-Investment

	June 30, 2026	**December 31, 2025**
Geography		
South	32.2 %	32.4 %
Southwest	25.5	26.2
Midwest	23.7	13.9
Mid-Atlantic	10.1	16.9
West	8.5	10.6
Total	100.0 %	100.0 %

NOTE 3 - COMMERCIAL MORTGAGE LOANS HELD-FOR-INVESTMENT (Continued)

	June 30, 2026	December 31, 2025
Collateral Property Type		
Multifamily	91.7 %	92.6 %
Seniors Housing and Healthcare	8.3	7.4
Total	100.0 %	100.0 %

Allowance for Credit Losses:

The following table presents the changes for the three and six months ended June 30, 2026 and June 30, 2025 in the provision for credit losses on loans held-for-investment:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Allowance for credit losses at beginning of period	$ 19,543,903	$ 17,060,194	$ 22,658,121	$ 11,320,220
Provision for credit losses	8,625,695	102,459	7,893,322	5,842,433
Charge-offs	(6,921,016)	(2,910,385)	(9,302,861)	(2,910,385)
Allowance for credit losses at end of period	**$ 21,248,582**	**$ 14,252,268**	**$ 21,248,582**	**$ 14,252,268**

The following table presents the changes for the three and six months ended June 30, 2026 and June 30, 2025 in the provision for credit losses on the unfunded commitments of the Company's loans held-for-investment:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Allowance for credit losses at beginning of period	$ —	$ 15,241	$ —	$ 57,554
Provision for credit losses	—	(7,691)	—	(50,004)
Allowance for credit losses at end of period	**$ —**	**$ 7,550**	**$ —**	**$ 7,550**

The following tables present the allowance for credit losses for loans held-for-investment as of June 30, 2026 and December 31, 2025:

	June 30, 2026		
	General Reserve	Specific Reserve	Total Reserve
Allowance for credit losses:			
Loans held for investment	$ 3,801,590	$ 17,446,992	$ 21,248,582
Total allowance for credit losses	$ 3,801,590	$ 17,446,992	$ 21,248,582
Total unpaid principal balance	$ 916,582,245	$ 98,083,714	$ 1,014,665,959

	December 31, 2025		
	General Reserve	Specific Reserve	Total Reserve
Allowance for credit losses:			
Loans held for investment	$ 5,029,531	$ 17,628,590	$ 22,658,121
Total allowance for credit losses	$ 5,029,531	$ 17,628,590	$ 22,658,121
Total unpaid principal balance	$ 1,022,886,139	$ 117,382,078	$ 1,140,268,217

During the three months ended June 30, 2026, the Company recorded an increase of $1.7 million in the allowance for credit losses, bringing the total allowance for credit losses to $21.2 million as of June 30, 2026. For the three months ended June 30, 2026, the Company's estimate of expected credit losses increased primarily due to specific reserves taken on two loans moving to a risk rating of "5" in the quarter, additional specific reserves taken on existing risk rated "5" loans and changes in macroeconomic assumptions employed in determining the Company's model-based general reserve, partially offset by the charge-off of credit loss related to the foreclosure on one "5" risk rated property and the charge-off of credit loss related to the payoff of two "5" risk rated loans.

As of June 30, 2026, we had aggregate specific allowance of credit losses of $17.4 million due to management's: (1) continued identification of one loan collateralized by one multifamily property in Cedar Park, TX (no specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $13.7 million as risk rated "5" due to maturity default; (2) continued identification of three loans collateralized by three multifamily properties in Tampa, FL ($3.2 million specific allowance; non-accrual cash basis), Tallahassee, FL ($3.5 million specific allowance; non-accrual cash basis) and Ypsilanti, MI ($5.9 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $48.3 million as risk rated "5" due to monetary default and (3) identified two loans collateralized by two multifamily properties in Houston, TX ($2.0 million specific allowance; non-accrual cash basis) and Dallas, TX ($2.8 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $36.1 million as risk rated "5" due to monetary default.

NOTE 3 - COMMERCIAL MORTGAGE LOANS HELD-FOR-INVESTMENT (Continued)

We recorded $0.3 million in cash basis income received on non-accrual loans during the period ended June 30, 2026.

As of December 31, 2025, we had aggregate specific allowance of credit losses of $17.6 million due to management's: (1) continued identification of one loan collateralized by two multifamily properties in Philadelphia, PA ($1.3 million specific allowance) with an aggregate unpaid balance of $15.5 million as risk rated "5" due to maturity default; (2) continued identification of one loan collateralized by a multifamily property in Colorado Springs, CO ($2.4 million specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $10.5 million as risk rated "5" due to monetary default; (3) identification of two loans collateralized by two multifamily properties in Arlington, TX ($3.6 million specific allowance; non-accrual cash basis) and Cedar Park, TX (no specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $35.5 million as risk rated "5" due to maturity default and (4) identification of four loans collateralized by four multifamily properties in Des Moines, IA ($0.5 million specific allowance; non-accrual cash basis), Tampa, FL ($0.9 million specific allowance; non-accrual cash basis), Tallahassee, FL ($3.0 million specific allowance; non-accrual cash basis) and Ypsilanti, MI ($5.9 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $55.8 million as risk rated "5" due to monetary default.

We recorded $0.8 million in cash basis income received on non-accrual loans during the year ended December 31, 2025, subsequent to their determination to be risk rated "5" loans and we received $0.3 million of cash proceeds from such loans that were applied as a reduction to the amortized cost basis of the respective loan.

In the first quarter of 2026, the $10.5 million Colorado Springs, CO ($2.4 million specific allowance) loan was foreclosed on, with ownership and deed to the property being taken by a newly formed subsidiary of the Company. The reversal of the $2.4 million specific allowance is reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

In the second quarter of 2026, the $22.1 million Arlington, TX ($5.1 million specific allowance, inclusive of $1.5 million taken in the quarter ended June 30, 2026) loan was foreclosed on, with ownership and deed to the property being taken by a newly formed subsidiary of the Company. The reversal of the $5.1 million specific allowance is reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

In the second quarter of 2026, the $15.5 million Philadelphia, PA ($1.3 million specific allowance) and the $8.6 million Des Moines, IA ($0.5 million specific allowance) loans were repaid at their respective carrying values. Upon the discounted payoffs, a $1.8 million charge-off was reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

Our Manager's asset management team proactively manages the Company's investment portfolio. The asset management team, together with our Manager's underwriting and servicing teams, monitors the credit performance of the investment portfolio, working closely with borrowers to manage all of our positions and monitor financial performance of our collateral assets, including execution of business plans and daily activities within our investment portfolio.

Specific Allowance for Credit Losses

The Company has elected to apply a practical expedient for collateral dependent assets in which the allowance for credit losses is calculated as the difference between the estimated fair value of the underlying collateral, less estimated costs to sell, and the amortized cost basis of the loan. As such, these loans receivable are measured at fair value on a nonrecurring basis using significant unobservable inputs and are classified as Level 3 assets in the fair value hierarchy. The fair value of the underlying collateral is determined using the income approach, market approach, or a combination thereof. The significant unobservable input used for the market approach is the price per unit from a broker opinion of value or appraisal. As of June 30, 2026, the unpaid principal balance of default risk loans was $98.1 million, amortized cost was $80.5 million and fair value was $80.6 million.

Loan Modifications Pursuant to ASC 326

The Company may amend or modify a loan depending on the loan's specific facts and circumstances. These loan modifications typically include additional time for a borrower to refinance or sell their property, adjustment or waiver of performance tests that are prerequisite to the extension of a loan maturity, modification of terms of interest rate cap agreements, and/or deferral of scheduled principal payments. In exchange for a modification, we often receive a partial repayment of principal, a cash infusion to replenish interest or capital improvement reserves, termination of all or a portion of the remaining unfunded loan commitment, additional call protection and/or an increase in the loan coupon or additional fees.

We have not entered into any loan modifications during the twelve months ended June 30, 2026, that require disclosure pursuant to ASC 326.

NOTE 4 - USE OF SPECIAL PURPOSE ENTITIES AND VARIABLE INTEREST ENTITIES

We account for CLO transactions and secured financings on our consolidated balance sheet as financing facilities. The issuing entities for our CLOs and secured financings are VIEs for which we are the primary beneficiary and are consolidated in our financial statements. The investment grade tranches are treated as secured financings and are non-recourse to us. See Note 2 ("Summary of Significant Accounting Policies - Principles of Consolidation - VIE") for further discussion.

On June 14, 2021, the Company completed the 2021-FL1 CLO, issuing eight tranches of CLO notes through two newly formed wholly-owned subsidiaries totaling $903.8 million. Of the total CLO notes issued, $833.8 million were investment grade notes issued to third party investors and $70 million were below investment-grade notes retained by us. In addition, a $96.25 million equity interest in the portfolio was retained by us. The financing had an initial two-and-a-half year reinvestment period, which expired in December 2023, that allowed principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance was reduced as loans were repaid. Initially, the proceeds of the issuance of the securities also included $330.3 million for the purpose of acquiring additional loan obligations for a period up to 180 days from the 2021-FL1 CLO closing date, resulting in the issuer owning loan obligations with a face value of $1.0 billion, representing leverage of 83%. On November 18, 2025, the Company redeemed the 2021-FL1 CLO in full.

On July 12, 2023, the Company entered into and closed a matched-term, non-recourse collateralized commercial real estate financing (the "LMF 2023-1 Financing"), secured by $386.4 million of first lien floating-rate multifamily mortgage assets and was not subject to margin calls or additional collateralization requirements. In connection with the LMF 2023-1 Financing, approximately $270.4 million of an investment-grade rated senior secured floating rate loan was provided by a private lender and approximately $47.3 million of investment-grade rated notes (collectively, the "Senior Debt") were issued and sold to an

NOTE 4 – USE OF SPECIAL PURPOSE ENTITIES AND VARIABLE INTEREST ENTITIES (Continued)

affiliate of LFT's external manager, Lument IM. A consolidated subsidiary of LFT retained the subordinate interests in the issuing vehicle of approximately $68.6 million. The Senior Debt had an initial weighted average spread of approximately 314 basis points over 30-day term SOFR, excluding fees and transaction costs. The Senior Debt matured on the payment date in July 2032, unless it was repaid or redeemed sooner in accordance with its terms. The financing had an initial two-year reinvestment period that allowed principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance was reduced as loans were repaid. On February 20, 2026, the Company redeemed the LMF 2023-1 Financing in full and expensed the remaining $1.2 million of deferred financing costs into loss on extinguishment of debt on the consolidated statements of operations.

On December 10, 2025, the Company completed the LMNT 2025-FL3 CLO, issuing eight tranches of CLO notes through a newly formed wholly-owned subsidiary totaling $620.7 million. Of the total CLO notes issued, $585.0 million were investment grade notes issued to third party investors and $35.7 million were below investment-grade and retained by us. In addition, a $43.1 million income note was retained by us. The financing has an initial two-and-a-half year reinvestment period that allows principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. Initially, the proceeds of the issuance of the securities included $5.8 million for the purpose of acquiring additional loan obligations for a period up to 180 days from the CLO closing date, resulting in the issuer owning collateral interests with a face value of $663.8 million, representing effective leverage of 88%. The investment grade notes have an initial weighted average spread of approximately 190.5 basis points over 30-day term SOFR, excluding fees and transaction costs. The investment grade notes mature on the payment date in July 2043, unless sooner repaid or redeemed in accordance with their terms.

The LMNT 2025-FL3 CLO is subject to collateralization and coverage tests and prior to its redemption the LMF 2023-1 Financing was subject to collateralization and coverage tests that are customary for these types of securitizations. As of June 30, 2026, all such collateralization and coverage tests in the LMNT 2025-FL3 CLO and as of December 31, 2025, all such collateralization and coverage tests in the LMNT 2025-FL3 CLO and LMF 2023-1 Financing were met.

The carrying values of the Company's total assets and liabilities related to the LMNT 2025-FL3 CLO as of June 30, 2026 and LMNT 2025-FL3 CLO and LMF 2023-1 Financing as of December 31, 2025, included the following VIE assets and liabilities:

ASSETS		**June 30, 2026**		**December 31, 2025**
Cash, cash equivalents and restricted cash	$	17,502,400	$	2,253,630
Other assets		—		524,278
Accrued interest receivable		2,924,753		4,309,202
Investment related receivable		—		15,449,323
Loans held for investment, net of allowance for credit losses		642,093,223		856,064,489
Real estate owned, held-for-sale		—		10,906,169
Total Assets	**$**	**662,520,376**	**$**	**889,507,091**
LIABILITIES				
Accrued interest payable	$	900,919	$	1,445,867
Collateralized loan obligations and secured financings(1)		580,686,518		748,433,484
Other liabilities		—		395,205
Total Liabilities	**$**	**581,587,437**	**$**	**750,274,556**
Equity		80,932,939		139,232,535
Total liabilities and equity	**$**	**662,520,376**	**$**	**889,507,091**

(1) The stated maturity of the collateralized loan obligations per the terms of the underlying collateralized loan obligation agreement is July 20, 2043 for the LMNT 2025-FL3 CLO and the stated maturity of the secured financing per the terms of the underlying indenture is July 20, 2032.

The following tables present certain loan and borrowing characteristics of the LMNT 2025-FL3 CLO as of June 30, 2026 and LMNT 2025-FL3 CLO and LMF 2023-1 Financing as of December 31, 2025:

As of June 30, 2026

Collateralized Loan Obligations/Financings	**Count**		**Principal Value**		**Carrying Value(1)**	**Wtd. Avg. Coupon(2)**
Collateral (loan investments)	30	$	646,408,549	$	642,093,223	6.93%
Financing provided	1	$	584,983,000	$	580,686,518	5.54%

As of December 31, 2025

Collateralized Loan Obligations/Financings	**Count**		**Principal Value**		**Carrying Value(1)**	**Wtd. Avg. Coupon(2)**
Collateral (loan investments)	44	$	873,054,065	$	856,064,489	7.11 %

NOTE 4 – USE OF SPECIAL PURPOSE ENTITIES AND VARIABLE INTEREST ENTITIES (Continued)

Collateral (REO assets)	1	$ 11,467,505	$ 10,906,169	N/A
Financing provided	2	$ 754,638,462	$ 748,433,484	5.98 %

(1) The carrying value of the collateral is net of unaccreted purchase discounts of $0 and $1,595,224 and allowance for credit losses of $21,248,582 and $22,658,121 as of June 30, 2026 and December 31, 2025, respectively. The carrying value for LMNT 2025-FL3 CLO is net of debt issuance costs of $4,296,482 and $4,912,883 for *June 30, 2026 and December 31, 2025, respectively and LMF 2023-1 Financing is net of debt issuance costs of $1,292,096 for December 31, 2025.*

(2) Weighted average coupon for loan investments assumes applicable 30-day term SOFR of 3.61% and 3.86% as of June 30, 2026 and December 31, 2025, respectively, inclusive of weighted average interest rate floors of 3.22% and 2.55%, and spreads of 3.26% and 3.27%, respectively. As of June 30, 2026 and December 31, 2025, 100.0% of the investments by total exposure earned a floating rate indexed to 30-day term SOFR. Weighted average coupon for the financings assumes applicable 30-day term SOFR of 3.64% and 3.74% as of June 30, 2026 and December 31, 2025, respectively and spreads of 1.91% and 2.24% for June 30, 2026 and December 31, 2025, respectively.

The statements of operations related to the LMNT 2025-FL3 CLO and LMF 2023-1 Financing for the three and six months ended June 30, 2026 and 2021-FL1 CLO and LMF 2023-1 Financing for the three and six months ended June 30, 2025 include the following income and expense items:

Statements of Operations	**Three Months Ended June 30, 2026**	**Three Months Ended June 30, 2025**
Interest income	$ 10,865,883	$ 18,876,129
Interest expense	(8,582,040)	(12,646,774)
Net interest income	$ 2,283,843	$ 6,229,355
Less:		
Provision for credit losses	(3,174,725)	(99,005)
Depreciation from real estate owned operations	—	(138,777)
General and administrative fees	(74,256)	(227,497)
Net (loss) income	$ (965,138)	$ 5,764,076

Statements of Operations	**Six Months Ended June 30, 2026**	**Six Months Ended June 30, 2025**
Interest income	$ 23,960,659	$ 39,361,327
Interest expense	(18,957,805)	(26,283,248)
Net interest income	$ 5,002,854	$ 13,078,079
Less:		
Provision for credit losses	(2,709,051)	(5,838,979)
Depreciation from real estate owned operations	—	(138,777)
Loss on extinguishment of debt	(1,152,861)	—
General and administrative fees	(186,813)	(411,061)
Net (loss) income	$ 954,129	$ 6,689,262

NOTE 5 - REAL ESTATE OWNED

During the six months ended June 30, 2026, Lument Real Estate Capital, LLC ("LREC"), as servicer for LCMT Warehouse, LLC and LCMT NPL Warehouse, LLC, indirect wholly owned subsidiaries of the Company, foreclosed on two multifamily bridge loans located in Colorado Springs, CO and Arlington, TX, with an aggregate net carrying value of $25.2 million, net of specific reserves of $7.5 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company.

During the year ended December 31, 2025, LREC, as special servicer for 2021-FL1 CLO foreclosed on two multifamily bridge loans located in San Antonio, TX with an aggregate net carrying value of $39.5 million, net of specific CECL reserves of $2.4 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company. Additionally, LREC, as special servicer for LMF 2023-1 Financing foreclosed on two multifamily bridge loans located in Houston, TX and San Antonio, TX with an aggregate net carrying value of $19.9 million, net of specific CECL reserves of $0.7 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company.

The fair value of the REO at the time of foreclosure was determined using the income approach, market approach, or a combination thereof. The significant unobservable input for the income capitalization approach is the overall capitalization rate assumption, used in the direct capitalization method, which was 4.98% - 7.40%. The significant unobservable input used for the market approach is the price per unit from an appraisal or broker opinion of value.

On May 4, 2026, the Company sold one of the properties located in San Antonio, TX held by a subsidiary of the Company to a third party for $12.2 million and recognized a $0.1 million gain on the sale of the property. The recognized gain on the sale of the property was included within realized "Gain on sale of real estate owned" in the Company's consolidated statements of operations.

NOTE 5 – REAL ESTATE OWNED (Continued)

On December 22, 2025, the Company sold one of the properties located in San Antonio, TX held by a subsidiary of the Company to a third party for $8.2 million and recognized a $0.5 million realized loss on the sale of the property. The realized loss on the sale of the property was included within realized loss on real estate owned in the Company's consolidated statements of operations on Form 10-K for the year ended December 31, 2025.

At June 30, 2026 and December 31, 2025, our REO assets were comprised of four and three multifamily properties, respectively, held within various subsidiaries of the Company. A summary of our REO assets is as follows:

	June 30, 2026	December 31, 2025
Real estate owned, held-for-investment		
Land	$ 5,928,515	$ 4,278,272
Building	45,797,882	22,907,888
Less: Accumulated depreciation	(1,001,428)	(347,150)
Total	**$ 50,724,969**	**$ 26,839,010**
Real estate owned, held-for-sale		
Real estate owned, held-for-sale	$ 10,877,081	$ 24,099,072
Total	**$ 10,877,081**	**$ 24,099,072**

At June 30, 2026 and December 31, 2025, our REO properties had a weighted average occupancy rate of approximately 66.7% and 69.1%, respectively.

We recorded depreciation and amortization expense related to the REO assets of $0.4 million and $0.7 million for the three months and six months ended June 30, 2026, respectively, recorded as "net income (expense) from real estate owned operations" in the consolidated statement of operations. Additionally, we recorded operating income of $1.7 million and $3.4 million and operating expense of $1.6 million and $3.0 million for the three months and six months ended June 30, 2026, respectively, recorded as "Net income (expense) from real estate owned operations" in the consolidated statement of operations.

NOTE 6 - RESTRICTED CASH

Restricted cash primarily includes (1) proceeds from principal payments and interest payments held by the securitization trust which have yet to be reinvested or distributed, (2) proceeds from principal and interest payments held under our secured financing agreements which have yet to be distributed, (3) interest reserve accounts related to our secured financing agreements and (4) funds on deposit with financial institutions related to real estate owned properties that are held in the Company's consolidated VIEs.

LMF 2023-1 Financing was actively managed with an initial reinvestment period of 24 months which expired in July 2025.

LMNT 2025-FL3 CLO is actively managed with an initial reinvestment period of 30 months which expires in May 2028. As loans pay off or mature, as applicable, during this reinvestment period, cash received is restricted and intended to be reinvested within LMNT 2025-FL3 CLO in accordance with the terms and conditions of its respective governing agreements.

NOTE 7 - SECURED FINANCING AGREEMENTS

Master Repurchase and Secured Lending Agreements

On November 3, 2025, LCMT Warehouse, LLC, an indirect wholly owned subsidiary of the Company, entered into an Uncommitted Master Repurchase Agreement ("Repurchase Agreement"), with JPMorgan Chase Bank, N.A. The Repurchase Agreement provides up to $450 million to finance first mortgage loans, controlling loan participations and other commercial mortgage loan debt instruments secured by commercial real estate, as described in more detail in the Repurchase Agreement. Advances under the Repurchase Agreement accrue interest at per annum rates equal to term SOFR plus a spread to be determined on a case-by-case basis. The initial maturity date of the Repurchase Agreement is November 3, 2028, with two (2) one-year extensions at the Company's option, which may be exercised upon the satisfaction of certain conditions as described in more detail in the Repurchase Agreement. Under the Guarantee Agreement ("Guarantee Agreement") made by LFT in favor of JPMorgan Chase Bank, N.A., Borrowings under the Repurchase Agreement are on a partial (25%) recourse basis. The Repurchase Agreement contains defined mark-to-market provisions that permit the lender to issue margin calls based on credit marks.

The Repurchase Agreement and Guarantee Agreement contain affirmative and negative covenants binding the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to: minimum unencumbered liquidity, maximum total net leverage ratio, minimum tangible net worth, and an minimum interest coverage ratio. As of June 30, 2026 and December 31, 2025, we were in compliance with these covenants. On May 14, 2026, the Company and JPMorgan Chase Bank, N.A. entered into an amendment to the Guarantee Agreement which waived the maximum total net leverage ratio covenant for the period ended March 31, 2026, and amended the maximum total net leverage ratio for the remainder of the 2026 fiscal year. On August 12, 2026, the Company and JPMorgan Chase Bank, National Association entered into a second amendment to the Guarantee Agreement which amended the minimum interest coverage ratio for the calendar quarters ending June 30, 2026, September 30, 2026, December 31, 2026, and March 31, 2027.

The Repurchase Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, violation of covenants, cross default with material indebtedness, and change of control.

On December 10, 2025, LCMT NPL Warehouse, LLC, an indirect wholly owned subsidiary of the Company, entered into a loan agreement ("Loan Agreement") with Northeast Bank. The Loan Agreement provides for up to $50 million in maximum aggregate advances over a 36-month draw period to

NOTE 7 – SECURED FINANCING AGREEMENTS (Continued)

finance first mortgage loans and controlling first mortgage loan participations secured by commercial real estate. Each collateral loan financed under the Loan Agreement will be classified as a performing or non-performing loan, as described in more detail in the Loan Agreement. The Loan Agreement also provides financing for commercial REO properties, with related REO entities joining as borrowers under the Loan Agreement from time to time, as described in more detail in the Loan Agreement.

The following table presents certain loan and borrowing characteristics of the Repurchase Agreement and Loan Agreement as of June 30, 2026 and December 31, 2025:

June 30, 2026

			Facility				Collateral	
Secured Funding Agreements:	**Current Maturity**	**Final Stated Maturity[(1)]**	**Maximum Facility Size**	**Outstanding Balance**	**Carrying Value[(2)]**	**Weighted Average Funding Cost[(3)]**	**Outstanding Principal[(5)]**	**Carrying Value[(5)]**
Repurchase Agreement[(4)]	November 2028	November 2030	$ 450,000,000	$ 248,294,347	$ 246,645,997	5.6 %	$ 360,955,399	$ 356,027,306
Loan Agreement	December 2027	December 2029	50,000,000	24,700,000	24,494,329	7.1 %	43,177,515	39,931,845
Subtotal			**$ 500,000,000**	**$ 272,994,347**	**$ 271,140,326**	**5.8 %**	**$ 404,132,914**	**$ 395,959,151**

December 31, 2025

			Facility				Collateral	
Secured Funding Agreements:	**Current Maturity**	**Final Stated Maturity[(1)]**	**Maximum Facility Size**	**Outstanding Balance**	**Carrying Value[(2)]**	**Weighted Average Funding Cost[(3)]**	**Outstanding Principal**	**Carrying Value**
Repurchase Agreement[(4)]	November 2028	November 2030	$ 450,000,000	$ 177,193,781	$ 175,204,869	5.6 %	$ 259,571,503	$ 256,531,194
Loan Agreement	December 2027	December 2029	50,000,000	17,000,000	16,738,351	7.2 %	34,650,632	29,281,632
Subtotal			**$ 500,000,000**	**$ 194,193,781**	**$ 191,943,220**	**5.7 %**	**$ 294,222,135**	**$ 285,812,826**

(1) *Final Stated Maturity is determined based on the maximum maturity of the underlying financing agreements or corresponding loans, assuming all extension options in LFT's discretion are exercised.*
(2) *Net of $1.9 million and 2.3 million unamortized deferred financing costs as of June 30, 2026* and *December 31, 2025, respectively.*
(3) *Weighted average funding cost for Repurchase Agreement assumes applicable 30-day term SOFR of 3.64% and 3.73% as of June 30, 2026 and December 31, 2025, respectively, and a spread of 1.99% and 1.85%, respectively. Weighted average funding cost for Loan Agreement assumes applicable 30-day term SOFR of 3.64% and 3.73% as of June 30, 2026 and December 31, 2025, respectively and a spread of 3.50%.*
(4) *Borrowings under the Repurchase Agreement are on a partial (25%) recourse basis. This Agreement contains defined mark-to-market provisions that permit the lender to issue margin calls based on credit marks.*
(5) *Collateral includes $13.2 million in cash held by Northeast Bank related to the financing of a loan that was repaid on June 30, 2026 with the related loan advance repaid on July 1, 2026.*

NOTE 8 - SECURED TERM LOAN

On January 15, 2019, the Company, together with its FOAC and Lument CMT Equity subsidiaries (together with the Company, the "Credit Parties"), entered into a Credit and Guaranty Agreement ("Credit and Guaranty Agreement"), as amended on February 13, 2019, July 9, 2020, April 21, 2021, February 22, 2022, February 17, 2026, February 20, 2026 and August 12, 2026 with the lenders party thereto and Cortland Capital Market Services, LLC, as administrative agent (in such capacity, the "Agent"), providing for a term facility to be drawn in an aggregate principal amount of $40.25 million with a maturity of 6 years. On February 14, 2019, the Company drew on the Secured Term Loan in the aggregate principal amount of $40.25 million generating net proceeds of $39.2 million.

The borrowings under the Credit and Guaranty Agreement are joint and several obligations of the Credit Parties. In addition, the Credit Parties' obligations under the Credit and Guaranty Agreement are secured by substantially all the assets of the Credit Parties through pledge and security documentation. Amounts advanced under the Credit and Guaranty Agreement are subject to compliance with a borrowing base comprised of assets of the Credit Parties and certain of their subsidiaries, and include senior and subordinated CRE mortgage loans, preferred equity in CRE assets (directly or indirectly), CRE construction mortgage loans and certain types of equity interests (the "Eligible Assets"). Borrowings under the Credit and Guaranty Agreement bear interest at a fixed rate of 7.25% for the six-year period following the initial draw-down, which is subject to step up by 0.25% for the first four months after the sixth anniversary of the borrowing of the Secured Term Loan, then by 0.375% for the following four months, then by 0.50% for the last four months until maturity.

In response to the continued COVID-19 pandemic, on July 9, 2020, the Company entered into the Second Amendment to the Credit and Guaranty Agreement. This amendment provided the Company with additional flexibility to effectively manage any potential borrower distress related to COVID-19 that was not originally contemplated in loan documentation.

On April 21, 2021, the Company, together with its Credit Parties, entered into an amendment (the "Third Amendment") to the Credit and Guaranty Agreement. The amendment, among other things, (i) provided the Company with an incremental secured term loan in the aggregate principal amount of

NOTE 8 – SECURED TERM LOAN (Continued)

$7.5 million; (ii) extended the maturity date of the Secured Term Loan from February 14, 2025 to February 14, 2026; (iii) amended certain asset concentration limits and (iv) amended certain financial covenants. On May 5, 2021, the Third Amendment became effective. On August 23, 2021, the Company drew down the $7.5 million incremental Secured Term Loan.

On February 22, 2022, the Company, together with its Credit Parties, entered into an amendment (the "Fourth Amendment") to the Credit and Guaranty Agreement. This amendment waived the step-down provisions of the maximum total net leverage financial covenant in connection with the February 2022 rights offering; however, the step-down provision remains in place for future capital raises.

On February 17, 2026, the Company, together with its Credit Parties, entered into the Fifth Amendment extending the maturity date of the Secured Term Loan provided under the Credit and Guaranty Agreement to February 20, 2026.

On February 20, 2026, the Company, together with its Credit Parties, entered into a further amendment (the "Sixth Amendment") to the Credit and Guaranty Agreement with the Agent and the lenders party thereto. The Sixth Amendment (1) provided the Company with an incremental secured term loan in the aggregate principal amount of $2.3 million generating net proceeds of $1.9 million, which the Company drew upon on February 23, 2026, (2) extended the maturity from February 20, 2026 to February 20, 2030, (3) amended certain terms applicable to borrowing base eligible assets, permitted debt and the advance rate applicable to borrowing base debt subsidiaries and (4) amended certain financial covenants, including the maximum total net leverage ratio and minimum tangible net worth, and included a minimum liquidity financial covenant. Borrowings under the Credit and Guaranty Agreement bear interest at a fixed rate of 9.75% per annum, which is subject to step up by 0.50% per annum for the first three months after February 20, 2029, with further step ups of 0.50% per annum for every three months thereafter until the maturity date.

On August 12, 2026, the Company, together with its Credit Parties, entered into a further amendment (the "Seventh Amendment") to the Credit and Guaranty Agreement with the Agent and the lenders party thereto. The Seventh Amendment amended the minimum interest coverage ratio for the periods ending June 30, 2026 through March 31, 2027.

The outstanding balance of the Secured Term Loan in the table below is presented gross of deferred financing costs of $364,044 and $30,721 at June 30, 2026 and December 31, 2025, respectively.

	June 30, 2026		December 31, 2025	
	Outstanding Balance	**Total Commitment**	**Outstanding Balance**	**Total Commitment**
Secured Term Loan	$ 50,000,000	$ 50,000,000	$ 47,750,000	$ 47,750,000
Total	$ 50,000,000	$ 50,000,000	$ 47,750,000	$ 47,750,000

The Credit and Guaranty Agreement contains affirmative and negative covenants binding the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to: minimum asset coverage ratio; minimum unencumbered assets ratio; maximum total net leverage ratio; minimum tangible net worth; and a minimum interest coverage ratio. As of June 30, 2026 and December 31, 2025, we were in compliance with these covenants.

The Credit and Guaranty Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, violation of covenants, cross default with material indebtedness, and change of control.

NOTE 9 - MORTGAGE SERVICING RIGHTS

As of June 30, 2026, the Company retained the servicing rights associated with an aggregate principal balance of $50,508,597 of residential mortgage loans that the Company had previously transferred to residential mortgage loan securitization trusts. The Company's MSRs are held and managed at the Company's TRS, and the Company employs two licensed sub-servicers to perform the related servicing activities.

The following table presents the Company's MSR activity for the six months ended June 30, 2026 and the six months ended June 30, 2025:

	June 30, 2026	**June 30, 2025**
Balance at beginning of period	$ 554,246	$ 649,287
Changes in fair value due to:		
Changes in valuation inputs or assumptions used in the valuation model	(5,888)	(22,372)
Other changes to fair value[1]	(41,625)	(36,602)
Balance at end of period	**$ 506,733**	**$ 590,313**
Loans associated with MSRs[2]	$ 50,508,597	$ 58,593,276
MSR values as percent of loans[3]	1.00 %	1.01 %

(1) Amounts represent changes due to realization of expected cash flows and prepayment of principal of the underlying loan portfolio.
(2) Amounts represent the unpaid principal balance of loans associated with MSRs outstanding at June 30, 2026 and June 30, 2025, respectively.
(3) Amounts represent the carrying value of MSRs at June 30, 2026 and June 30, 2025, respectively, divided by the outstanding balance of the loans associated with these MSRs.

The following table presents the servicing income recorded on the Company's consolidated statements of operations for the three and six months ended June 30, 2026 and June 30, 2025:

NOTE 9 – MORTGAGE SERVICING RIGHTS (Continued)

	Three Months Ended June 30, 2026		Three Months Ended June 30, 2025	
Servicing income, net	$	37,499	$	13,199
Total servicing income	**$**	**37,499**	**$**	**13,199**

	Six Months Ended June 30, 2026		Six Months Ended June 30, 2025	
Servicing income, net	$	91,919	$	78,079
Total servicing income	**$**	**91,919**	**$**	**78,079**

NOTE 10 - FAIR VALUE

The following tables summarize the valuation of the Company's assets and liabilities carried at fair value on a recurring basis within the fair value hierarchy levels as of June 30, 2026 and December 31, 2025:

	June 30, 2026							
	Quoted prices in active markets for identical assets Level 1		Significant other observable inputs Level 2		Unobservable inputs Level 3		Balance as of June 30, 2026	
Assets:								
Mortgage servicing rights	$	—	$	—	$	506,733	$	506,733
Total	**$**	**—**	**$**	**—**	**$**	**506,733**	**$**	**506,733**

	December 31, 2025							
	Quoted prices in active markets for identical assets Level 1		Significant other observable inputs Level 2		Unobservable inputs Level 3		Balance as of December 31, 2025	
Assets:								
Mortgage servicing rights	$	—	$	—	$	554,246	$	554,246
Total	**$**	**—**	**$**	**—**	**$**	**554,246**	**$**	**554,246**

As of June 30, 2026 and December 31, 2025, the Company had $506,733 and $554,246, respectively, in Level 3 assets. The Company's Level 3 assets are comprised of MSRs. For more detail about Level 3 assets, also see Notes 2 and 7.

The following table provides quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's MSRs classified as Level 3 fair value assets at June 30, 2026 and December 31, 2025:

As of June 30, 2026

Valuation Technique	Unobservable Input	Range	Weighted Average
Discounted cash flow	Constant prepayment rate	7.1 - 9.4%	8.4 %
	Discount rate	12.0 %	12.0 %

As of December 31, 2025

Valuation Technique	Unobservable Input	Range	Weighted Average
Discounted cash flow	Constant prepayment rate	7.0 - 8.6%	7.9 %
	Discount rate	12.0 %	12.0 %

As discussed in Note 2, GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate that value. The following table details the carrying amount, face amount and fair value of the financial instruments described in Note 2:

NOTE 10 – FAIR VALUE (Continued)

	June 30, 2026						
	Level in Fair Value Hierarchy		Carrying Value		Face Amount		Fair Value
Assets:							
Cash and cash equivalents	1	$	28,979,474	$	28,979,474	$	28,979,474
Restricted cash	1		25,698,479		25,698,479		25,698,479
Commercial mortgage loans held-for-investment, net	3		991,664,826		1,014,665,959		995,066,985
Total		**$**	**1,046,342,779**	**$**	**1,069,343,912**	**$**	**1,049,744,938**
Liabilities:							
Collateralized loan obligations and secured financings	2	$	580,686,518	$	584,983,000	$	587,815,230
Master repurchase agreements	3		246,645,997		248,297,347		246,645,997
Term lending agreement	3		24,494,329		24,700,000		24,494,329
Secured Term Loan	3		49,667,476		50,000,000		49,454,797
Total		**$**	**901,494,320**	**$**	**907,980,347**	**$**	**908,410,353**

	December 31, 2025						
	Level in Fair Value Hierarchy		Carrying Value		Face Amount		Fair Value
Assets:							
Cash and cash equivalents	1	$	23,112,995	$	23,112,995	$	23,112,995
Restricted cash	1		3,505,087		3,505,087		3,505,087
Commercial mortgage loans held-for-investment, net	3		1,114,047,992		1,140,268,217		1,119,645,026
Total		**$**	**1,140,666,074**	**$**	**1,166,886,299**	**$**	**1,146,263,108**
Liabilities:							
Collateralized loan obligations and secured financings	2	$	748,433,484	$	754,638,462	$	756,051,842
Master repurchase agreements	3		175,204,869		177,193,781		175,204,869
Term lending agreement	3		16,738,351		17,000,000		16,738,351
Secured Term Loan	3		47,719,278		47,750,000		47,746,394
Total		**$**	**988,095,982**	**$**	**996,582,243**	**$**	**995,741,456**

Estimates of cash and cash equivalents and restricted cash are measured using quoted prices, or Level 1 inputs. Estimates of the fair value of collateralized loan obligations and secured financings are measured using observable, quoted market prices in active markets, or Level 2 inputs. All other significant fair value estimates are measured using unobservable inputs, or Level 3 inputs. See Note 2 for further discussion regarding fair value measurement of certain of our assets and liabilities.

NOTE 11 - RELATED PARTY TRANSACTIONS

Management and Incentive Fee

The Company is externally managed and advised by the Manager. Pursuant to the terms of the Management Agreement, the Company pays the Manager a management fee equal to 1.5% of stockholders' equity per annum, calculated and payable quarterly (0.375% per quarter) in arrears. For purposes of calculating the management fee, the Company's stockholders' equity includes the sum of the net proceeds from all issuances of the Company's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus the Company's retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that the Company paid for repurchases of the Company's common stock since inception, and excluding any unrealized gains, losses or other items that did not affect realized net income (regardless of whether such items were included in other comprehensive income or loss, or in net income). This amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain non-cash items after discussions between the Manager and the Company's independent directors and approval by a majority of the Company's independent directors. To the extent asset impairment reduces the Company's retained earnings at the end of any completed calendar quarter, it will reduce the management fee for such quarter. The Company's stockholders' equity for the purposes of calculating the management fee could be greater than the amount of stockholders' equity shown on the consolidated financial statements. Additionally, starting in the first full calendar quarter following January 3, 2020, the Company was also required to pay the Manager a quarterly incentive fee equal to 20% of the excess of Core Earnings (as defined in the management agreement) over the product of (i) stockholders' equity as of the end of such fiscal quarter, and (ii) 8% per annum. The initial term of our management agreement expired on January 3, 2023, with automatic, one-year renewals thereafter.

For the three months ended June 30, 2026, the Company incurred management fees of $1,088,516 (June 30, 2025: $1,101,439), recorded as "Management and incentive fees" in the consolidated statements of operations. As of June 30, 2026, fees and expenses for the second quarter payable to the Manager totaled

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

$1,095,000 (June 30, 2025: $1,110,000) which are included in "Fees and expenses payable to Manager" in the consolidated balance sheets. The June 30, 2026 and June 30, 2025 payable balances include unpaid management and incentive fees and quarterly true-up amounts due to the Manager.

For the three months ended June 30, 2026, the Company did not incur any incentive fees and for the three months ended June 30, 2025, the Company incurred incentive fees of $201,087, recorded as "Management and incentive fees" in the consolidated statement of operations, of which $201,087 was accrued but had not been paid, included in "Fees and expenses payable to Manager" in the consolidated balance sheets.

For the six months ended June 30, 2026, the Company incurred management fees of $2,183,516 (June 30, 2025: $2,214,753), recorded as "Management and incentive fees" in the consolidated statements of operations. As of June 30, 2026 fees and expenses payable to the Manager totaled $2,190,000 (June 30, 2025: $1,110,000) which are included in "Fees and expenses payable to Manager" in the consolidated balance sheets. The June 30, 2026 and June 30, 2025 payable balances include unpaid management and incentive fees and quarterly true-up amounts due to the Manager.

For the six months ended June 30, 2026, the Company did not incur any incentive fees and for the six months ended June 30, 2025, the Company incurred incentive fees of $654,309, recorded as "Management and incentive fees" in the consolidated statement of operations, of which $201,087 was accrued but had not been paid, included in "Fees and expenses payable to Manager" in the consolidated balance sheets. The Manager agreed to waive $453,222 in incentive fees that otherwise would have been incurred with respect to the six months ended June 30, 2025.

Expense Reimbursement

Pursuant to the management agreement, the Company is required to reimburse the Manager for operating expenses related to the Company incurred by the Manager, including accounting, auditing and tax services, technology and office facilities, operations, compliance, legal and filing fees, loan servicing fees and miscellaneous general and administrative costs, including the cost of non-investment management personnel of the Manager who spend all or a portion of their time managing the Company's affairs. The Manager has agreed to certain limitations on manager expense reimbursement from the Company.

For the three months ended June 30, 2026, the Company incurred reimbursable expenses of $623,404 (June 30, 2025: $494,801), recorded as "operating expenses reimbursable to Manager" in the consolidated statements of operations, of which $410,049 (June 30, 2025: $495,000) was accrued but had not yet been paid, included in "fees and expenses payable to Manager" in the consolidated balance sheets. Per the management agreement, any exit fees waived by the Company as a result of permanent financing by the Manager or any of its affiliates shall result in a reduction to reimbursed expenses by an amount equal to 50% of the amount of any such waived exit fee capped at a waived exit fee of 1%. For the three months ended June 30, 2026, the Company waived $219,903 in gross exit fees, reducing reimbursed expenses by $109,951 and for the three months ended June 30, 2025, the Company did not waive any exit fees.

For the six months ended June 30, 2026, the Company incurred reimbursable expenses of $1,089,835 (June 30, 2025: $899,421), recorded as "operating expenses reimbursable to Manager" in the consolidated statements of operations, of which $875,049 (June 30, 2025: $495,000) was accrued but had not yet been paid, included in "fees and expenses payable to Manager" in the consolidated balance sheets. Per the management agreement, any exit fees waived by the Company as a result of permanent financing by the Manager or any of its affiliates shall result in a reduction to reimbursed expenses by an amount equal to 50% of the amount of any such waived exit fee capped at a waived exit fee of 1%. For the six months ended June 30, 2026, the Company waived $279,903 in gross exit fees, reducing reimbursed expenses by $139,951 and for the six months ended June 30, 2025, the Company waived $71,698 in gross exit fees, reducing reimbursed expenses by $35,849.

Lument Structured Finance

During the first quarter of 2026, we purchased the following from Lument Structured Finance, LLC ("LSF"), an affiliate of our Manager: (a) two loans with an aggregate unpaid principal balance of $46.8 million at par; (b) one funded advance with an unpaid principal balance of $1.1 million at a discount of $0.1 million and (c) one funded advance related to a real estate owned property with an aggregate unpaid principal balance of $0.2 million.

During the second quarter of 2026, we purchased the following from LSF: (a) four loans with an aggregate unpaid principal balance of $67.0 million at par; (b) two funded advances with an unpaid principal balance of $23.7 million at par and (c) one funded advance with an unpaid principal balance of $0.3 million at a discount of $0.0 million.

In connection with originating loans that are subsequently purchased by the Company and its subsidiaries, LSF or its affiliates may retain certain fees paid by borrowers in connection with the origination, processing and closing of such loans, including origination and processing fees.

In addition, when certain loans are originated, they are often accompanied by different types of fees, including, but not limited to, exit fees that will be paid in certain circumstances. In certain instances when the Manager engages in a principal transaction with the Company, the Manager may decide not to transfer all the fees associated with a particular loan when such loan is transferred to the Company, subject to the consent of the Company. Instead, the fees or a portion of the fees may be retained by LSF or its affiliates, and LSF or its affiliates will earn the fees in the event they become due.

To the extent a participation interest is involved, a pro rata portion of any fees associated with the underlying loan will be included with such participation. If the Company receives less than a pro rata portion of the fees, the Manager will disclose such arrangement and seek consent from the Company prior to transfer. However, if the Company purchases a loan from LSF or its affiliates that has not been fully funded at the time of the transfer, the Company may issue a participation interest in the loan back to LSF or its affiliates for the remaining unfunded amount. In such cases, any draw, advance or other fees earned in connection with any future funding of the loan will be retained by LSF or its affiliates, as the future funding participation holder.

Lument Real Estate Capital, LLC

Lument Real Estate Capital, LLC ("LREC"), an affiliate of our Manager, was appointed the servicer and special servicer with respect to mortgage assets for the 2021-FL1 CLO in June 2021, the LMF 2023-1 Financing in July 2023, the LMNT 2025-FL3 CLO in December 2025, the Repurchase Agreement in November 2025 and the Loan Agreement in December 2025 and continues to serve in this role for the LMNT 2025-FL3 CLO, the Repurchase Agreement and

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

the Loan Agreement. LREC no longer serves as servicer and special servicer for the 2021-FL1 CLO and LMF 2023-1 Financing due to their redemptions in December 2025 and February 2026, respectively.

In connection with its role as servicer and special servicer with respect to mortgage assets held in the 2021-FL1 CLO through its redemption in December 2025, the LMF 2023-1 Financing through its redemption in February 2026, the LMNT 2025-FL3 CLO, the Repurchase Agreement and the Loan Agreement, LREC is paid certain fees under the 2021-FL1 CLO through its redemption in December 2025, the LMF 2023-1 Financing through its redemption in February 2026, the LMNT 2025-FL3 CLO, the Repurchase Agreement and the Loan Agreement depending upon the specific services rendered, including servicing fees, special servicing fees, workout fees and liquidation fees. In addition, LREC, as servicer and/or special servicer, may be entitled to retain certain fees or portions thereof paid by borrowers, including modification, waiver, assumption, transfer, processing, consent, review and similar fees, defeasance fees, late fees and application fees. During the three and six months ended June 30, 2026, LREC received servicing fees, inclusive of both servicing and special servicing fees of $99,811 and $203,367, respectively, compared to $164,045 and $306,420, respectively, for the three and six months ended June 30, 2025.

LREC was also appointed as servicer with respect to mortgage assets held by the Company and its other subsidiaries in August 2022. Our Manager pays LREC's servicing fees, if any, which are reimbursed by the Company.

Lument IM

Lument IM was appointed as the collateral manager with respect to the LMNT 2025-FL3 CLO in December 2025, and continues to serve in this role. Lument IM was appointed as the collateral manager with respect to the 2021-FL1 CLO in June 2021 and LMF 2023-1 Financing in July 2023, and served in this role until their redemptions in December 2025 and February 2026, respectively. Lument IM has agreed to waive all its entitlements to collateral management fees for so long as Lument IM or an affiliate is the collateral manager and also the manager of the Company.

Hunt Companies, Inc.

One of the Company's directors is also Chief Executive Officer and President of Hunt Companies, Inc. ("Hunt") and is a member of the Hunt Board of Directors, with which affiliates of the Manager have a commercial business relationship. The Manager's affiliates provide servicing with respect to mortgage assets of Hunt and may from time to time sell commercial mortgage loans to Hunt or various of its subsidiaries and affiliates.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, LFT may be involved in various claims and legal actions arising in the ordinary course of business. LFT establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable.

As of June 30, 2026, LFT was not involved in any material legal proceedings regarding claims or legal actions against LFT.

Unfunded Commitments

As of June 30, 2026, LSF, an affiliate of the Manager, had $18.8 million of unfunded commitments related to loans held in LMNT 2025-FL3 CLO. These commitments are not reflected on the Company's consolidated balance sheets.

As of June 30, 2026, LSF had $3.9 million of unfunded commitments related to loans pledged to the Repurchase Agreement. These commitments are not reflected on the Company's consolidated balance sheets.

As of June 30, 2026, LSF had $1.2 million of unfunded commitments related to loans held at LCMT. These commitments are not reflected on the Company's consolidated balance sheets.

As of December 31, 2025, LSF had $1.8 million of unfunded commitments related to loans held in LMF 2023-1 Financing. These commitments are not reflected in the Company's consolidated balance sheets.

As of December 31, 2025, LSF had $10.1 million of unfunded commitments related to loans held in LMNT 2025-FL3 CLO. These commitments are not reflected on the Company's consolidated balance sheets.

As of December 31, 2025, LSF had $3.3 million of unfunded commitments related to loans pledged to the Repurchase Agreement. These commitments are not reflected on the Company's consolidated balance sheets.

As of December 31, 2025, LSF had $3.9 million of unfunded commitments related to loans pledged to the Loan Agreement. These commitments are not reflected in the Company's consolidated balance sheets.

Future loan fundings comprise funding for capital improvements, leasing costs, interest and carry costs, and fundings will vary depending on the progress of the business plan and cash flows at the mortgage assets. Therefore, the exact timing and amounts of such future loan fundings are uncertain and will depend on the current and future performance of the underlying mortgage assets.

NOTE 13 - EQUITY

Common Stock

NOTE 13 – EQUITY (Continued)

The Company has 450,000,000 authorized shares of common stock, par value $0.01 per share, with 52,486,129 and 52,399,265 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively.

Stock Repurchase Program

On December 15, 2015, the Board authorized a stock repurchase program (the "Repurchase Program"), to repurchase up to $10 million of the Company's outstanding common stock. Shares of the Company's common stock may be purchased in the open market, including through block purchases, or through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b-18(b)(1) of the Securities Exchange Act of 1934, as amended. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion and the program may be suspended, terminated or modified at any time for any reason. Among other factors, the Company intends to only consider repurchasing shares of the Company's common stock when the purchase price is less than the Company's estimate of the Company's current net asset value per common share. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be canceled and, until reissued by the Company, will be deemed to be authorized but unissued shares of the Company's common stock. No share repurchases have been made since January 19, 2016. Through June 30, 2026, the Company had repurchased 126,856 shares of common stock at a weighted average share price of $5.09. As of June 30, 2026, $9.4 million of common stock remained authorized for future share repurchase under the Repurchase Program.

Preferred Stock

At June 30, 2026 and December 31, 2025, the Company was authorized to issue up to 50,000,000 shares of preferred stock, par value $0.01 per share, with 2,400,000 shares of Series A Preferred Stock issued and outstanding as of June 30, 2026 and December 31, 2025, respectively. Voting and other rights and preferences will be determined by the Company's Board of Directors upon issuance.

Distributions to stockholders

For the taxable year to date, the Company has declared dividends to common stockholders totaling $4,197,024, or $0.08 per share. The following table presents cash dividends declared by the Company on its common stock during the six months ended June 30, 2026:

Declaration Date	Record Date	Payment Date	Dividend Amount	Cash Dividend Per Weighted Average Share
March 19, 2026	March 31, 2026	April 15, 2026	$ 2,097,579	$ 0.040
June 12, 2026	June 30, 2026	July 15, 2026	$ 2,099,445	$ 0.040

The following table presents cash dividends declared by the Company on its Series A Preferred Stock for the six months ended June 30, 2026:

Declaration Date	Record Date	Payment Date	Dividend Amount	Cash Dividend Per Weighted Average Share
March 19, 2026	April 1, 2026	April 15, 2026	$ 1,181,250	$ 0.49219
June 12, 2026	July 1, 2026	July 15, 2026	$ 1,181,250	$ 0.49219

Non-controlling interests

On November 29, 2018, LCMT, which is an indirect wholly-owned subsidiary of the Company that has elected to be taxed as a REIT for U.S. Federal income tax purposes, issued 125 shares of Series A Preferred Shares ("LCMT Preferred Shares"). Net proceeds to LCMT were $99,500 representing $125,000 in equity raised, less $25,500 in expenses and are reflected as "Non-controlling interests" in the Company's consolidated balance sheets. Dividends on the LCMT Preferred Shares are cumulative annually, in an amount equal to 12% of the initial purchase price plus any accrued unpaid dividends. The LCMT Preferred Shares are redeemable at any time by LCMT. The redemption price through December 31, 2020 was 1.1x the initial purchase price plus all accrued and unpaid dividends, and the initial purchase price plus all accrued and unpaid dividends thereafter. The holders of the LCMT Preferred Shares have limited voting rights, which do not entitle the holders to participate in or otherwise direct the management of LCMT or the Company. The LCMT Preferred Shares are not convertible into or exchangeable for any other property or securities of LCMT or the Company. Dividends on the LCMT Preferred Shares, which amounted to $15,000 for the year ended December 31, 2025, are reflected in "Dividends to preferred stockholders" in the Company's consolidated statements of operations. As of June 30, 2026, LCMT had $7,500 in accrued dividends on the LCMT Preferred Shares which are reflected in "dividends to preferred stockholders" in the Company's consolidated statements of operations of which $0 were accrued and unpaid dividends on the LCMT Preferred Shares which are reflected in "Dividends payable" in the Company's consolidated balance sheet.

Independent Directors Stock-for-Fees Program

Upon the recommendation of the Compensation Committee of the Board, on April 20, 2023, the Board adopted the Independent Directors Stock-for-Fees Program (the “Stock-for-Fees Program”). The purpose of the Stock-for-Fees Program is to promote the long-term success of the Company and further align the interests of the Company’s independent directors with the interests of its stockholders by providing the independent directors with an opportunity to elect to receive their Director Fees (as defined below) in the form of shares of common stock.

Pursuant to the Stock-for-Fees Program, an independent director may elect to exchange all or a portion of such director’s unpaid Director Fees for the right to receive payment of such unpaid fees in the form of shares of common stock. Such election will apply to all Director Fees that would otherwise have been paid (but for such election) in the fiscal quarter that commences after the date the independent director’s election form is filed with and received by the Company and will continue for each fiscal quarter through and until the fiscal quarter that commences after such time as the director files a new election form that is received by the Company modifying or terminating such prior election or, if earlier, the date such director terminates service on the Board. Unless

NOTE 13 – EQUITY (Continued)

otherwise approved by the Board, an election by an independent director will be made only in an open trading window pursuant to the Company's insider trading policy. Unless otherwise approved by the Board, an independent director may not make more than one election in any six-month period of time. Any Director Fees that an independent director elects to receive in the form of shares of common stock are referred to as "Exchanged Fees."

Upon any Exchange Date (as defined below) that occurs after an independent director files an election form that is received by the Company, the independent director will be entitled to receive a number of shares of common stock determined by dividing (i) the amount of the Exchanged Fees that would otherwise have been paid to the independent director in cash on such Exchange Date but for such election, by (ii) the Fair Market Value (as defined below) of a share of common stock as of such Exchange Date, and rounding down to the nearest whole share. Any fractional amount less than the Fair Market Value of a share of common stock as of such Exchange Date will be paid in cash. Any shares of common stock acquired by an independent director pursuant to the Stock-for-Fees Program will be fully vested.

The maximum aggregate number of shares of common stock issuable pursuant to the Stock-for-Fees Program is 2,611,555. The maximum aggregate number of shares issuable to an independent director pursuant to the Stock-for-Fees Program shall not exceed 522,311 shares of common stock. The Company issued 90,056 shares with a weighted-average share price of $2.1096 in 2025 and has issued 86,864 shares with a weighted-average price of $1.2088 pursuant to the Stock-for-Fees Program during the six months ended June 30, 2026.

For purposes of this Stock-for-Fees Program, the following definitions apply:

"Director Fees" means the annual retainer and meeting fees, to the extent otherwise payable in cash, payable to an independent director for services as a member of the Board.

"Exchange Date" means any date on which the Company pays Director Fees to independent directors.

"Fair Market Value" means, with respect to an Exchange Date, the average of the closing prices of a share of the Company's common stock as reported on the composite tape for securities listed on the NYSE for the period of ten trading days ending on the trading day immediately preceding the Exchange Date.

NOTE 14 - EARNINGS PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The Company has no participating securities outstanding during the periods presented. Therefore, the two-class method is not applicable.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the six months ended June 30, 2026 and June 30, 2025:

	Three Months Ended June 30,	
	2026	2025
Numerator:		
Net income (loss)	$ (8,012,905)	$ 3,690,773
Less: preferred stock dividends	(1,185,043)	(1,185,042)
Net income (loss) available to common stockholders	$ (9,197,948)	$ 2,505,731
Denominator:		
Weighted-average shares of common stock outstanding - basic and diluted	52,459,976	52,332,304
Earnings (loss) per share:		
Basic and diluted	**$ (0.18)**	**$ 0.05**

	Six Months Ended June 30,	
	2026	2025
Numerator:		
Net income (loss)	$ (7,806,322)	$ 3,168,205
Less: preferred stock dividends	(2,370,001)	(2,370,000)
Net income (loss) available to common stockholders	$ (10,176,323)	$ 798,205
Denominator:		
Weighted-average shares of common stock outstanding - basic and diluted	52,430,232	52,321,157
Earnings (loss) per share:		
Basic and diluted	**$ (0.19)**	**$ 0.02**

There were no potentially dilutive securities outstanding during the periods presented that would have been dilutive, or any anti-dilutive effects requiring exclusion. As a result, basic and diluted earnings (loss) per share are the same.

NOTE 15 - INCOME TAXES

The Company has elected to be treated as a REIT under federal income tax laws. As a REIT, the Company must generally distribute annually at least 90% of our taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Certain activities of the Company that produce prohibited income are conducted through a TRS, FOAC, to protect the Company's REIT election and FOAC is therefore subject to tax as a U.S. C-Corporation. To maintain our REIT election, the Company must continue to meet certain ownership, asset and income requirements set forth in the Code. As further discussed below, the Company may be subject to non-income taxes on excess amounts of assets or income that cause a failure of any of the REIT testing requirements. As of June 30, 2026 and December 31, 2025, we were in compliance with all REIT requirements.

As of June 30, 2026, tax years 2022 through 2025 remain subject to examination by taxing authorities.

NOTE 16 - SUBSEQUENT EVENTS

In July 2026, the Company obtained, through foreclosure, a multifamily property in Dallas, TX, which it holds in the LMNT 2025-FL3 CLO. The associated loan was risk rated "5" and had an outstanding principal balance of $21.9 million and specific allowance for credit losses of $2.8 million as of June 30, 2026.

On July 24, 2026, we received notice (the “Notice”) from the New York Stock Exchange (the “NYSE”) that we are not in compliance with Section 802.01C of the NYSE Listed Company Manual because the average closing price of our common stock was less than $1.00 over a consecutive 30 trading-day period.

The Notice is a notice of deficiency, not delisting, does not currently impact the listing and trading of our common stock on the NYSE. We may regain compliance at any time during the six-month cure period following receipt of the Notice if, on the last trading day of any calendar month during the cure period, our common stock has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on such date.

In accordance with NYSE rules, on August 7, 2026, we notified the NYSE of our intent to regain compliance with the minimum share price requirement through a 1-for-10 reverse stock split, which is currently expected to become effective at 5:00 pm Eastern Time on September 9, 2026.

The reverse stock split is expected to reduce the number of issued and outstanding shares of the Company’s common stock from approximately 52.5 million shares to approximately 5.2 million shares. No fractional shares will be issued in connection with the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share as a result of the reverse stock split will receive cash in lieu of such fractional share. The Company reserves the right to abandon or delay the reverse stock split.

Our common stock will continue to be listed and traded on the NYSE during the cure period, subject to our continued compliance with the NYSE's other continued listing standards. There can be no assurance that we will be able to achieve compliance with NYSE's minimum share price requirement within the required time frame.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Quarterly Report on Form 10-Q, or this "report," we refer to Lument Finance Trust as "we," "us," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our external manager, Lument Investment Management, as our "Manager" or "Lument IM".

The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our financial statements which are included in Item 1 of this report, as well as information contained in our Annual Report on Form 10-K for the year ended December 31, 2025, or our 2025 10-K, filed with the Securities and Exchange Commission, or SEC, on March 23, 2026.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements intended to qualify for the safe harbor contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended. Forward-looking statements are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In addition, our management may from time to time make oral forward-looking statements. You can identify forward-looking statements by use of words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "may," "will," "seek," "would," "could" or the negative of these words and phrases or similar words and phrases, or by discussions of strategy, plans or intentions. Statements regarding the following subjects, among others, may be forward-looking: statements regarding the Company's plans, intentions, expectations, objectives or ability to regain compliance with the NYSE's continued listing standards, including a potential reverse stock split and intention to consider alternatives to cure the NYSE continued listing requirement deficiency, the return on equity; the yield on investments; the ability to borrow to finance assets; and risks associated with investing in real estate assets, including changes in business conditions, changes in interest rates or inflation and any resulting effect on our borrowers or liquidity, and the general economy. Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us on the date of this quarterly report. Actual results may differ from expectations, estimates and projections. Readers are cautioned not to place undue reliance on forward-looking statements in this quarterly report and should consider carefully the risk factors described in Part I, Item IA "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2025 in evaluating these forward-looking statements. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. It is not possible to predict or identify all such risks. Additional information concerning these and other risk factors are contained in our 2025 10-K, which is available on the Securities and Exchange Commission's website at www.sec.gov.

Overview

We are a Maryland corporation that is focused on investing in, originating, financing and managing a portfolio of CRE debt investments.

In January 2020, we entered into a series of transactions with subsidiaries of ORIX USA, a diversified financial company with the ability to provide investment capital and asset management services to clients in the corporate, real estate and municipal finance sectors. We entered into a new management agreement with Lument IM, while another affiliate of ORIX USA purchased an ownership stake of approximately 5.0% through a privately placed stock issuance. On February 22, 2022, the affiliate purchased an additional 13,071,895 shares of common stock from the transferable common stock rights offering, increasing its beneficial ownership in the Company to approximately 27.4%. These transactions have enhanced the scale of LFT and are expected to generate shareholder value through leveraging ORIX USA's expansive originations, asset management and servicing platform.

Lument IM is an affiliate of Lument, a nationally recognized leader in multifamily and seniors housing and health care finance. The Company leverages Lument's broad platform and significant expertise when originating and underwriting investments.

We invest primarily in transitional floating rate CRE mortgage loans with an emphasis on middle market multifamily assets. We may also invest in other CRE-related investments including mezzanine loans, preferred equity, commercial mortgage-backed securities, fixed rate loans, construction loans and other CRE debt instruments. We finance our current investments in transitional multifamily and other CRE loans through CRE CLOs and other forms of secured financing agreements. Our primary sources of income are net interest from our investment portfolio and non-interest income from our mortgage loan-related activities. Net interest income represents the interest income we earn on investments less the expense of funding these investments.

Our investments typically have the following characteristics:

- Sponsors with experience in particular real estate sectors and geographic markets;
- Located in U.S. markets with multiple demand drivers, such as growth in employment and household formation;
- Fully funded principal balance greater than $5 million and generally less than $75 million;
- Loan to Value ratio up to 85% of as-is value and up to 75% of as stabilized value;
- Floating rate loans tied to one-month term SOFR, and/or an applicable replacement index in the future; and
- Three-year term with two one-year extension options.

We believe that our current investment strategy provides significant opportunities to achieve attractive risk-adjusted returns for our stockholders over time. However, to capitalize on the investment opportunities at different points in the economic and real estate investment cycle, we may modify or expand our investment strategy. We believe that the flexibility of our strategy, which is supported by significant CRE experience of Lument's investment team, and the extensive resources of ORIX USA, will allow us to take advantage of changing market conditions to maximize risk-adjusted returns to our stockholders.

We have elected to be taxed as a REIT and comply with the provisions of the Internal Revenue Code with respect thereto. Accordingly, we are generally not subject to federal income tax on our REIT taxable income that we currently distribute to our stockholders so long as we maintain our qualification as a REIT. Our continued qualification as a REIT depends on our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code relating to, among other things, the source of our gross income, the composition and values of our assets, our distribution levels and the concentration of ownership of our capital stock. Even if we maintain our qualification as a REIT, we may become subject to some federal, state and local taxes on our income generated in our wholly owned TRS, Five Oaks Acquisition Corp. ("FOAC").

Recent Developments

2025 was marked by significant volatility in global markets, driven by international trade policy and tariff-related developments, geopolitical uncertainty, political and regulatory developments, elevated interest rates and persistent inflationary pressures. Collectively, these factors contributed to challenging conditions across commercial real estate markets, including lower transaction activity, constrained capital availability and pressure on property values in certain sectors. Despite these challenges, capital markets generally adapted to a higher-for-longer interest rate environment, and improvements in financing market conditions supported greater availability of debt capital for commercial real estate investments.

Thus far, 2026 has continued to be characterized by uncertainty and market volatility related to international trade policy, geopolitical developments and the future path of monetary policy. While benchmark interest rates have declined form their recent peaks, interest rates remain elevated relative to historical levels, uncertainty persists regarding the timing and magnitude of any future policy actions. As a result, market participants continue to evaluate the potential impact of evolving economic conditions, capital market dynamics and policy developments on commercial real estate fundamentals and financing markets. We continue to closely monitor these factors, as they may affect borrower performance, loan acquisition and origination activity, liquidity, financing and our capital allocation decisions.

On July 24, 2026, we received notice (the “Notice”) from the New York Stock Exchange (the “NYSE”) that we are not in compliance with Section 802.01C of the NYSE Listed Company Manual because the average closing price of our common stock was less than $1.00 over a consecutive 30 trading-day period.

The Notice is a notice of deficiency, not delisting, does not currently impact the listing and trading of our common stock on the NYSE. We may regain compliance at any time during the six-month cure period following receipt of the Notice if, on the last trading day of any calendar month during the cure period, our common stock has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on such date.

In accordance with NYSE rules, on August 7, 2026, we notified the NYSE of our intent to regain compliance with the minimum share price requirement through a 1-for-10 reverse stock split, which is currently expected to become effective at 5:00 pm Eastern Time on September 9, 2026.

The reverse stock split is expected to reduce the number of issued and outstanding shares of the Company’s common stock from approximately 52.5 million shares to approximately 5.2 million shares. No fractional shares will be issued in connection with the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share as a result of the reverse stock split will receive cash in lieu of such fractional share. The Company reserves the right to abandon or delay the reverse stock split.

Our common stock will continue to be listed and traded on the NYSE during the cure period, subject to our continued compliance with the NYSE's other continued listing standards. There can be no assurance that we will be able to achieve compliance with NYSE's minimum share price requirement within the required time frame.

Second Quarter 2026 Summary

Operating Results

- Net loss attributable to common stockholders of $9.2 million, or $0.18 per share of common stock
- Distributable Loss of $5.3 million, or $0.10 per share of common stock
- On June 12, 2026, the Company announced its second quarter common dividend of $0.04 per share of common stock
- On June 12, 2026, the Company announced its second quarter preferred dividend of $0.49219 per share of Series A Preferred Stock
- Book value of common stock as of June 30, 2026 was $144.7 million, or $2.76 per share of common stock

Investment Activity

- We acquired or originated, as applicable, four loans with an initial unpaid principal balance of $67.0 million and a weighted average interest rate of 30-day term SOFR plus 3.0% and three funded advances with an initial unpaid principal balance of $24.0 million and a weighted average interest rate of 30-day term SOFR plus 3.7%
- Experienced $184.0 million in loan payoffs
- $991.7 million senior loan portfolio is 100% floating rate with an average spread to 30-day term Secured Overnight Financing Rate ("SOFR") of 3.30%, excluding unamortized purchase discounts of $0.8 million and deferred loan fees of $0.9 million as of June 30, 2026
- Multifamily assets represent 91.7% of loan portfolio

Portfolio Financing

- Non-mark-to-market financing is $0.6 billion with an average spread to 30-day term SOFR of 1.95% as of June 30, 2026, representing 71% of our secured financings

Factors Impacting Our Operating Results

Market conditions. The results of our operations are and will continue to be affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply of, and demand for, our target assets in the marketplace. Our net interest income will vary primarily as a result of changes in market interest rates and prepayment speeds, and by the ability of the borrowers underlying our commercial mortgage loans to continue making payments in accordance with the contractual terms of their loans, which may be impacted by unanticipated credit events experienced by such borrowers. During the period ended June 30, 2026, we foreclosed on one multifamily property as a result of the borrowers' inability to make payments, reducing our interest income accordingly. Interest rates vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results will also be affected by general U.S. real estate fundamentals and the overall U.S. economic environment. In particular, our strategy is influenced by the specific characteristics of the underlying real estate markets, including prepayment rates, credit market conditions and interest rates. The past two years have been characterized by significant volatility in global markets, driven by investor concerns over inflation, rising interest rates, slowing economic growth, increased tariffs, trade tensions, geopolitical uncertainty and political and regulatory uncertainties.

Changes in market interest rates. Generally, our business model is such that rising interest rates will increase our net interest income, while declining interest rates will decrease our net interest income. As of June 30, 2026, 99.9% of our investments by total investment exposure earned a floating rate of interest, of which 100.0% were indexed to 30-day term SOFR, and all of our collateralized loan obligations and secured financings were indexed to 30-day term SOFR, and as a result we are less sensitive to variability in our net interest income resulting from interest rate changes. As of June 30, 2026, 100.0% of the loans in our commercial mortgage loan portfolio are structured with SOFR floors with a weighted average SOFR floor of 2.70%, of which 24.7% had an interest rate floor greater than the current spot interest rate. When interest rates are above our average interest rate floor, an increase in interest rates will increase our interest income. Alternatively, when interest rates are below our average interest rate floor, an increase in interest rates will decrease our net interest income until such time as interest rates rise above our average interest rate floor. Although our Manager is currently originating loans with SOFR floors, there can be no assurance that we will continue to obtain SOFR floors on future originations or acquisitions. Similarly, net interest income is also impacted by the spread in our commercial mortgage loan portfolio. As of June 30, 2026, the weighted average spread of our commercial loan portfolio was 3.30%, but there is no assurance that these spreads will be maintained as market environments fluctuate.

After a prolonged period of rising interest rates, the Federal Reserve began lowering interest rates on September 18, 2024 by 0.50% and on each of November 7, 2024 and December 18, 2024, respectively, the Federal Reserve lowered interest rates by 0.25%. Additionally, on each of September 17, 2025, October 29, 2025 and December 10, 2025, respectively, the U.S. Federal Reserve lowered the federal funds rate by 0.25% to a current target range of 3.50% - 3.75%. However, to date in 2026, the Federal Reserve has determined to hold interest rates steady. That said, interest rates remain elevated, and the timing, direction and extent of any future interest rate changes remains uncertain.

In addition to the risk related to fluctuations in cash flows associated with movement in interest rates, there is also the risk of non-performance on floating rate assets. In the case of a significant increase in interest rates or the continued elevation in current rates, the additional debt service payments due from our borrowers may strain the operating cash flows of the real estate assets underlying our mortgages and/or impact their ability to be refinanced at such higher interest rates, which could potentially contribute to non-performance or, in severe cases, default. This risk is partially mitigated during the underwriting process, which generally includes a requirement for our borrowers to purchase interest rate cap contracts with an unaffiliated third-party, provide an interest rate reserve deposit, and/or provide other structural protections. As of June 30, 2026, 67.3% of our performing loans have interest rate caps with a weighted-average strike price of 2.7%.

Credit risk. Our commercial mortgage loans and other investments are also subject to credit risk. The performance and value of our loans and other investments depend upon the sponsor's ability to operate properties that serve as our collateral so that they produce cash flows adequate to pay interest and principal due to us. To monitor this risk, the Manager's asset management team reviews our portfolio and maintains regular contact with borrowers, co-lenders and local market experts to monitor the performance of the underlying collateral, anticipate borrower, property and market issues and, to the extent necessary or appropriate, enforce our rights as lender. The market values of commercial mortgage assets are subject to volatility and may be adversely affected by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and potential proceeds available to a borrower to repay the underlying loans, which could also cause us to suffer losses. As of June 30, 2026, 93.1% of the commercial mortgage loans in our portfolio were current as to principal and interest. Additionally, we have reviewed the loans designated as Default Risk for specific credit reserves. Impairment of these loans, which are collateral dependent, is measured by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. We can provide no assurances that our borrowers will remain current as to principal and interest, or that we will not enter into forbearance agreements or loan modifications in order to protect the value of our commercial mortgage loan assets. Should that occur, it could have a material negative impact on our results of operations.

Liquidity and financing markets. Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to pay dividends, fund investments and repay borrowings and other general business needs. Our primary sources of liquidity have been proceeds of common or preferred stock issuance, net proceeds from corporate debt obligations, net cash provided by operating activities and other financing arrangements. We finance our commercial mortgage loans through non-recourse secured borrowings, the maturities of which are matched to the maturities of the loans and which are not subject to margin calls or additional collateralization requirements, as well as a master repurchase agreement and a term financing agreement. However, to the extent that we seek to invest in additional commercial mortgage loans, outside of our secured borrowings, we will in part be dependent on our ability to issue additional collateralized loan obligations, master repurchase agreements, to secure alternative financing facilities or to raise additional common or preferred equity. The expectation of slower interest rate decreases moving forward and unpredictable geopolitical landscape may cause a further dislocation in the capital markets resulting in a continual reduction of available liquidity and an increase in borrowing costs. A lack of liquidity for a prolonged period could limit our ability to grow our business. Our liquidity may also be utilized from time to time to acquire or repurchase commercial mortgage loans from our CRE CLO or other financing arrangements, which could reduce capital otherwise available for new investment opportunities. Additionally, the CRE CLOs and other secured financings we have entered into, and may in the future enter into, include certain interest coverage tests, overcollateralization coverage tests or other tests that, if not met, may result in a change in the priority of distributions, which may result in the reduction or elimination of distributions to the subordinate debt and equity tranches retained by us until the tests have been met or certain senior classes of securities have been paid in full. Accordingly, if such tests are not satisfied, we, as holders of the subordinate debt and equity interests in the applicable CRE CLO or secured financing, may experience a significant reduction in our cash flow from those interests, which would impact our liquidity. In addition, our secured financing agreements contain margin call provisions following the occurrence of certain mortgage loan credit events. If we are unable to make the required payment or if we fail to meet or satisfy any of the covenants in our financing agreements, we will be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral, including cash to satisfy margin calls, and enforce their interests against existing collateral.

Prepayment speeds. Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on certain investments to be less than expected. As we receive prepayments of principal on our assets, any premiums paid on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest earned on the assets. We have acquired twenty-nine loans and twenty funded loan advances with an initial aggregate unpaid principal balance of $475.2 million with an aggregate purchase discount of $8.3 million. All of our other commercial mortgage loans were acquired at par. As of June 30, 2026, our aggregate unaccreted purchase discount was $0.8 million, and accordingly we do not believe this to be a material risk to interest income for us at present. Additionally, we are subject to prepayment risk associated with the terms of our secured borrowings. Due to shorter maturities of transitional floating-rate commercial mortgage loans, our secured borrowings include a reinvestment period during which principal repayments and prepayments on our commercial mortgage loans may be reinvested in similar assets, subject to meeting certain eligibility criteria. The reinvestment period for LMF 2023-1 Financing expired in July 2025 and LMNT 2025-FL3 remains in place through May 2028. Currently, the interest rate spreads of our secured borrowings are fixed until they are repaid, the terms, including spreads, of newly originated loans are subject to uncertainty based on a variety of factors, including market and competitive conditions, which remain uncertain and volatile in the current inflationary environment. To the extent that such conditions result in lower spreads on the assets in which we reinvest during active reinvestment periods, we may be subject to a reduction in interest income in the future. To the extent any loans are permanently financed by the Manager or any of its affiliates, the prepayment penalties will be waived, resulting in a reduction to reimbursed expense by an amount equal to 50% of the amount of any such waived fee, capped at a waived fee of 1%.

Changes in market value of our assets. We account for our commercial mortgage loans at amortized cost. As such, our earnings will generally not be directly impacted by changes in the market values of these loans. However, if a loan is classified as impaired as the result of adverse credit performance, an allowance is recorded to reduce the carrying value through a charge to the provision for credit losses. Impairment is typically measured by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. Provisions for credit losses will directly impact our earnings.

Governmental actions. Since 2008, when both Fannie Mae and Freddie Mac were placed under the conservatorship of the U.S. government, there have been a number of proposals to reform the U.S. housing finance system in general, and Fannie Mae and Freddie Mac in particular. We anticipate debate on residential housing and mortgage reform to continue through 2026 and beyond, but a deep divide persists between factions in Congress and as such it remains unclear what shape any reform would take and what impact, if any, reform would have on mortgage REITs.

Key Financial Measures and Indicators

As a real estate investment trust, we believe the key financial measures and indicators for our business are earnings per share, dividends declared, Distributable Earnings, and book value per share of common stock. For the three months ended June 30, 2026, we recorded loss per share of $0.18, declared a quarterly common dividend of $0.04 per share, and reported $0.10 per share of Distributable Loss. In addition, our book value per share was $2.76.

As further described below, Distributable Earnings is a measure that is not prepared in accordance with GAAP, which helps 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. In addition, Distributable Earnings is a performance metric we consider when declaring our dividends.

Earnings Per Share and Dividends Declared

The following table sets forth the calculation of basic and diluted net (loss) income per share and dividends declared per share:

	Three Months Ended	
	June 30, 2026	**December 31, 2025**
Net (loss) income	$ (9,197,948)	$ (8,942,111)
Weighted-average shares outstanding, basic and diluted	52,459,976	52,381,724
Net (loss) income per share, basic and diluted	$ (0.18)	$ (0.17)
Dividends declared per share	$ 0.04	$ 0.04

Distributable Earnings

Distributable Earnings is a non-GAAP financial measure, which we define as GAAP net income (loss) attributable to holders of common stock, or, without duplication, owners of our 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) depreciation and amortization, (iii) any unrealized gains or losses or other similar non-cash items that are included in net income (loss) for that applicable reporting period, regardless of whether such items are included in other comprehensive income (loss) or net income (loss), and (iv) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items after discussions with the Board and approved by a majority of the Company's independent directors.

While Distributable Earnings excludes the impact of any unrealized provisions for credit losses, any credit 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 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 helps 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.

The following table provides a reconciliation of Distributable Earnings to GAAP net income (loss):

	Three Months Ended	
	June 30, 2026	March 31, 2026
Net (loss) income attributable to common stockholders	$ (9,197,948)	$ (978,375)
Realized loss on mortgage loans	(1,841,615)	—
Realized loss on sale of real estate owned	(3,267,833)	—
Unrealized loss on mortgage servicing rights	17,268	30,245
Provision for (release of) credit losses	8,625,695	(732,373)
Depreciation of real estate owned	390,272	304,885
Loss on extinguishment of debt	—	1,152,861
Real estate owned impairment expense	—	1,350,435
(Benefit) from income taxes	(10,745)	(4,648)
Distributable (Loss) Earnings	$ (5,284,906)	$ 1,123,030
Weighted-average shares outstanding, basic and diluted	52,459,976	52,400,158
Distributable (Loss) Earnings per share, basic and diluted	$ (0.10)	$ 0.02

Book Value Per Share

The following table calculates our book value per share:

	June 30, 2026	December 31, 2025
Total stockholders' equity	$ 204,718,869	$ 218,987,218
Less preferred stock (liquidation preference of $25.00 per share)	(60,000,000)	(60,000,000)
Total common stockholders' equity	144,718,869	158,987,218
Shares of common stock issued and outstanding at period end	52,486,129	52,399,265
Book value per share of common stock[(1)]	$ 2.76	$ 3.03

(1) Book value as of June 30, 2026 and December 31, 2025 includes the impact of an estimated CECL allowance of $21,248,582 or $0.40 per common share and $22,658,121 or $0.43 per common share, respectively.

Investment Portfolio

Commercial Mortgage Loans

As of June 30, 2026, we have determined that we are the primary beneficiary of the LMNT 2025-FL3 CLO based on our obligation to absorb losses derived from ownership of our residual interests. Accordingly, the Company consolidated the assets, liabilities, income and expenses of the underlying issuing entities, collateralized loan obligations and secured financings.

The following table details our loan activity by unpaid principal balance:

	Commercial Mortgage Loans Held-for-Investment
Balance at December 31, 2025	**$ 1,114,047,992**
Purchases and advances	138,921,463
Proceeds from principal repayments	(230,790,155)
Transfer to real estate owned	(32,650,387)
Charge-offs	9,302,861
Purchase discount	(129,549)
Origination and other fees	(1,385,963)
Accretion of purchase discount	971,833
Accretion of deferred loan fees	1,270,053
Provision for allowance for credit losses	(7,893,322)
Balance at June 30, 2026	**$ 991,664,826**

The following table details overall statistics for our loan portfolio as of June 30, 2026 and December 31, 2025:

Loan Type	Unpaid Principal Balance	Carrying Value[(1)]	Loan Count	Floating Rate Loan %	Weighted Average Coupon[(2)]	Weighted Average Term (Years)[(3)]	Weighted Average LTV[(4)]
June 30, 2026							
Loans held-for-investment							
Senior secured loans[(5)]	$ 1,014,665,959	$ 1,012,913,408	51	100.0 %	7.0 %	1.5	69.3 %
Allowance for credit losses	N/A	$ (21,248,582)					
	$ 1,014,665,959	**$ 991,664,826**	**51**	100.0 %	7.0 %	1.5	69.3 %

Loan Type	Unpaid Principal Balance	Carrying Value[(1)]	Loan Count	Floating Rate Loan %	Weighted Average Coupon[(2)]	Weighted Average Term (Years)[(3)]	Weighted Average LTV[(4)]
December 31, 2025							
Loans held-for-investment							
Senior secured loans[(5)]	$ 1,140,268,217	$ 1,136,706,113	61	100.0 %	7.2 %	1.7	68.9 %
Allowance for credit losses	N/A	$ (22,658,121)					
	$ 1,140,268,217	**$ 1,114,047,992**	**61**	100.0 %	7.2 %	1.7	68.9 %

(1) Carrying Value includes $815,303 and $1,657,584 in unamortized purchase discounts as of June 30, 2026 and December 31, 2025, respectively.

(2) Weighted average coupon assumes applicable 30-day term SOFR of 3.61% and 3.85% as of June 30, 2026 and December 31, 2025, respectively, inclusive of weighted average interest rate floors of 2.70% and 2.18%, respectively. As of June 30, 2026 and December 31, 2025, 100.0% of the investments by total investment exposure earned a floating rate indexed to 30-day term SOFR.

(3) Weighted average remaining term assumes all extension options are exercised by the borrower, provided, however, that our loans may be repaid prior to such date.

(4) LTV is as of the date the loan was originated and is calculated after giving effect to capex and earnout reserves, if applicable. 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 origination date.

(5) As of June 30, 2026, $642,093,223 of the outstanding senior secured loans were held in VIEs and $349,571,603 of the outstanding senior loans were held outside of VIEs. As of December 31, 2025, $856,064,487 of the outstanding senior secured loans were held in VIEs and $257,983,507 of the outstanding senior secured loans were held outside VIEs.

Portfolio Surveillance and Credit Quality

We did not have any impaired loans, non-accrual loans, or loans in maturity default other than the loans discussed below as of June 30, 2026 or December 31, 2025.

As of June 30, 2026, we had aggregate specific allowance of credit losses of $17.4 million due to management's: (1) continued identification of one loan collateralized by one multifamily property in Cedar Park, TX (no specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $13.7 million as risk rated "5" due to maturity default; (2) continued identification of three loans collateralized by three multifamily properties in Tampa, FL ($3.2 million specific allowance; non-accrual cash basis), Tallahassee, FL ($3.5 million specific allowance; non-accrual cash basis) and Ypsilanti, MI ($5.9 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $48.3 million as risk rated "5" due to monetary default and (3) identified 2 loans collateralized by 2 multifamily properties in Houston, TX ($2.0 million specific allowance; non-accrual cash basis) and Dallas, TX ($2.8 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $36.1 million as risk rated "5" due to monetary default.

We recorded $0.3 million in cash basis income received on non-accrual loans during the period ended June 30, 2026.

As of December 31, 2025, we had aggregate specific allowance of credit losses of $17.6 million due to management's: (1) continued identification of one loan collateralized by two multifamily properties in Philadelphia, PA ($1.3 million specific allowance) with an aggregate unpaid balance of $15.5 million as risk rated "5" due to maturity default; (2) continued identification of one loan collateralized by a multifamily property in Colorado Springs, CO ($2.4 million specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $10.5 million as risk rated "5" due to monetary default; (3) identification of two loans collateralized by two multifamily properties in Arlington, TX ($3.6 million specific allowance; non-accrual cash basis) and Cedar Park, TX (no specific allowance; non-accrual cash basis) with an aggregate unpaid balance of $35.5 million as risk rated "5" due to maturity default and (4) identification of four loans collateralized by four multifamily properties in Des Moines, IA ($0.5 million specific allowance; non-accrual cash basis), Tampa, FL ($0.9 million specific allowance; non-accrual cash basis), Tallahassee, FL ($3.0 million specific allowance; non-accrual cash basis) and Ypsilanti, MI ($5.9 million specific allowance; non-accrual cash basis) with an aggregate principal balance of $55.8 million as risk rated "5" due to monetary default.

We recorded $0.8 million in cash basis income received on non-accrual loans during the year ended December 31, 2025, subsequent to their determination to be risk rated "5" loans and we received $0.3 million of cash proceeds from such loans that were applied as a reduction to the amortized cost basis of the respective loan.

In the first quarter of 2026, the $10.5 million Colorado Springs, CO ($2.4 million specific allowance) loan was foreclosed on, with ownership and deed to the property being taken by a newly formed subsidiary of the Company. The reversal of the $2.4 million specific allowance is reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

In the second quarter of 2026, the $22.1 million Arlington, TX ($5.1 million specific allowance) loan was foreclosed on, with ownership and deed to the property being taken by a newly formed subsidiary of the Company. The reversal of the $5.1 million specific allowance is reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

In the second quarter of 2026, the $15.5 million Philadelphia, PA ($1.3 million specific allowance) and the $8.6 million Des Moines, IA ($0.5 million specific allowance) loans were paid off. Upon the sale, a $1.8 million charge-off was reflected as a charge-off to the "Allowance for credit losses" in the consolidated balance sheets.

Our Manager's asset management team proactively manages the Company's investment portfolio. The asset management team, together with our Manager's underwriting and servicing teams, monitors the credit performance of the investment portfolio, working closely with borrowers to manage all of our positions and monitor financial performance of our collateral assets, including execution of business plans and daily activities within our investment portfolio.

Loan modifications and amendments are commonplace in the transitional lending business. We may amend or modify a loan depending on the loan's specific facts and circumstances. These loan modifications typically include additional time for a borrower to refinance or sell their property, adjustment or waiver of performance tests that are prerequisite to the extension of a loan maturity, modification of terms of interest rate cap agreements, and/or deferral of scheduled principal payments. In exchange for a modification, we often receive a partial repayment of principal, a cash infusion to replenish interest or capital improvement reserves, termination of all or a portion of the remaining unfunded loan commitment, additional call protection and/or an increase in the loan coupon or additional fees. We continue to work with our borrowers to address issues as they arise while seeking to preserve the credit attributes of our loan. However, we cannot assure you that these efforts will be successful, and we may experience payment delinquencies, defaults, foreclosures or losses.

As discussed in Note 2 to our consolidated financial statements, our Manager performs a quarterly review of our loan portfolio, assesses the performance of each loan, and assigns a risk rating between "1" and "5," from less risk to greater risk. The average risk rating of the portfolio declined during the six months ended June 30, 2026. The change in underlying risk rating consisted of loans that paid off with a risk rating of "2" of $15.3 million, a risk rating of "3" of $192.4 million and a risk rating of "5" of $24.1 million during the six months ended June 30, 2026, partially offset by funding of loans with a risk rating of "3" of $137.5 million and a risk rating of "5" of $1.1 million. Additionally, $17.0 million of loans with a risk rating of "2" transitioned to a risk rating of "3," $62.1 million of loans with a risk rating of "3" transitioned to a risk rating of "2," $58.5 million of loans with a risk rating of "3" transitioned to a risk rating of "4," $21.9 million of loans with a risk rating of "3" transitioned to a risk rating of "5," $41.4 million of loans with a risk rating of "4" transitioned to a risk rating of "3" and $14.2 million of loans with a risk rating of "4" transitioned to a risk rating of "5". Further, $32.4 million of loans with a risk rating of "5" were foreclosed and moved to REO.

			June 30, 2026					
			Amortized Cost by Year of Origination					
Risk Rating	**Number of Loans**	**Outstanding Principal**	**2026**	**2025**	**2024**	**2023**	**2022**	**2021**
1	—	$ —	$ —		$ —	$ —	$ —	$ —
2	11	190,807,433	50,021,109	43,968,519	42,885,734	—	80,318,209	23,217,812
3	28	613,595,339	—	162,188,656	121,913,132	—	128,174,669	147,836,182
4	6	112,179,473	—	—	—	—	38,806,164	71,851,879
5	6	98,083,714	—	—	—	—	47,746,040	32,736,721
	51	**$ 1,014,665,959**	**$ 50,021,109**	**$ 206,157,175**	**$ 164,798,866**	**$ —**	**$ 295,045,082**	**$ 275,642,594**

Real Estate Owned

During the six months ended June 30, 2026, Lument Real Estate Capital, LLC ("LREC"), as servicer for LCMT Warehouse, LLC and LCMT NPL Warehouse, LLC, indirect wholly owned subsidiaries of the Company, foreclosed on two multifamily bridge loans located in Colorado Springs, CO and Arlington, TX, with an aggregate net carrying value of $25.2 million, net of specific reserves of $7.5 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company.

During the year ended December 31, 2025, LREC, as special servicer for 2021-FL1 CLO foreclosed on two multifamily bridge loans located in San Antonio, TX with an aggregate net carrying value of $39.5 million, net of specific CECL reserves of $2.4 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company. Additionally, LREC, as special servicer for LMF 2023-1 Financing foreclosed on 2 multifamily bridge loans located in Houston, TX and San Antonio, TX with an aggregate net carrying value of $19.9 million, net of specific CECL reserves of $0.7 million, with ownership and deed to the properties being taken by newly formed subsidiaries of the Company.

The fair value of the REO at the time of foreclosure was determined using the income approach, market approach, or a combination thereof. The significant unobservable input for the income capitalization approach is the overall capitalization rate assumption, used in the direct capitalization method, which was 7.40%. The significant unobservable input used for the market approach is the price per unit from an appraisal or broker opinion of value.

On May 4, 2026, the Company sold one of the properties located in San Antonio, TX held by a subsidiary of the Company to a third party for $12.2 million and recognized a $0.1 million realized loss on the sale of the property. The realized loss on the sale of the property was included within realized loss on real estate owned in the Company's consolidated statements of operations.

On December 22, 2025, the Company sold one of the properties located in San Antonio, TX held by a subsidiary of the Company to a third party for $8.2 million and recognized a $0.5 million realized loss on the sale of the property. The realized loss on the sale of the property was included within realized loss on real estate owned in the Company's consolidated statements of operations on Form 10-K for the year ended December 31, 2025.

At June 30, 2026 and December 31, 2025, our REO assets were comprised of four and three multifamily properties, respectively, held within various subsidiaries of the Company. A summary of our REO assets is as follows:

	June 30, 2026	December 31, 2025
Real estate owned, held-for-investment		
Land	$ 5,928,515	$ 4,278,272
Building	45,797,882	22,907,888
Less: Accumulated depreciation	(1,001,428)	(347,150)
Total	**$ 50,724,969**	**$ 26,839,010**
Real estate owned, held-for-sale		
Real estate owned, held-for-sale	$ 10,877,081	$ 24,099,072
Total	**$ 10,877,081**	**$ 24,099,072**

At June 30, 2026 and December 31, 2025, our REO properties had a weighted average occupancy rate of approximately 66.7% and 69.1%, respectively.

We recorded depreciation and amortization expense related to the REO assets of $0.4 million and $0.7 million for the three months and six months ended June 30, 2026, respectively, recorded as "net income (expense) from real estate owned operations" in the consolidated statement of operations. Additionally, we recorded operating income of $1.7 million and $3.4 million and operating expense of $1.6 million and $3.0 million for the three months and six months ended June 30, 2026, respectively, recorded as "Net income (expense) from real estate owned operations" in the consolidated statement of operations.

The table below sets forth additional information relating to the Company's portfolio as of June 30, 2026:

Loan #	Form of Investment	Origination Date	Total Loan Commitment[1]	Committed Principal Amount[2]	Current Principal Amount	Location	Property Type	Coupon	Max Remaining Term (Years)	LTV[3]	Loan/Investment Per Unit[4]	Risk Rating
Senior Secured Loans												
1	Senior secured	December 20, 2024	$ 60,000,000	$ 59,836,911	$ 59,836,911	Olympia, WA	Multifamily	1mS + 3.8	3.6	68.5%	$214,469/unit	3
2	Senior secured	December 16, 2021	$ 52,725,000	$ 52,725,000	$ 51,375,000	Multi, FL	Multifamily	1mS + 3.1	0.6	71.7%	$73,498/unit	3
3	Senior secured	December 23, 2024	$ 36,800,000	$ 36,800,000	$ 36,800,000	Macon, GA	Multifamily	1mS + 2.9	3.6	66.1%	$131,429/unit	3
4	Senior secured	January 16, 2025	$ 36,000,000	$ 36,000,000	$ 36,000,000	Noblesville, IN	Multifamily	1mS + 2.7	1.7	67.6%	$162,162/unit	3
5	Senior secured	January 29, 2025	$ 39,800,000	$ 36,034,209	$ 35,500,000	Manchaca, TX	Multifamily	1mS + 3	2.7	52.2%	$104,412/unit	3
6	Senior secured	October 27, 2025	$ 50,000,000	$ 50,000,000	$ 33,333,333	Columbus, OH	Multifamily	1mS + 2.4	2.4	75.0%	$125,313/unit	3
7	Senior secured	March 22, 2022	$ 32,203,323	$ 32,103,323	$ 31,627,625	Seneca, SC	Multifamily	1mS + 3.4	0.8	74.5%	$119,802/unit	3
8	Senior secured	June 28, 2022	$ 29,940,124	$ 29,940,125	$ 29,623,930	Dallas, TX	Multifamily	1mS + 3.4	1.1	71.6%	$95,870/unit	3
9	Senior secured	April 3, 2025	$ 27,500,000	$ 27,500,000	$ 27,500,000	Lockport, IL	Multifamily	1mS + 2.8	1.8	64.5%	$245,536/unit	2
10	Senior secured	November 2, 2021	$ 26,049,291	$ 26,049,291	$ 26,049,291	Melbourne, FL	Multifamily	1mS + 3.1	0.1	72.1%	$113,752/unit	4
11	Senior secured	September 17, 2024	$ 25,500,000	$ 25,500,000	$ 25,500,000	Marysville, OH	Multifamily	1mS + 2.9	1.3	73.8%	$186,131/unit	2
12	Senior secured	April 27, 2022	$ 49,050,000	$ 49,050,000	$ 24,525,000	North Brunswick, NJ	Multifamily	1mS + 3.4	0.5	79.9%	$96,937/unit	3
13	Senior secured	August 26, 2021	$ 25,163,008	$ 25,163,008	$ 24,468,032	Clarkston, GA	Multifamily	1mS + 3.5	2.2	79.0%	$86,155/unit	4
14	Senior secured	October 18, 2021	$ 24,252,193	$ 24,252,193	$ 23,348,000	Cherry Hill, NJ	Multifamily	1mS + 3	0.4	72.4%	$132,659/unit	2
15	Senior secured	June 30, 2026	$ 73,125,000	$ 73,125,000	$ 23,125,000	Phoenix, AZ	Multifamily	1mS + 2.5	5.1	65.0%	$69,237/unit	3
16	Senior secured	August 26, 2021	$ 23,065,021	$ 23,065,021	$ 22,872,354	Union City, GA	Multifamily	1mS + 3.4	0.8	70.4%	$77,797/unit	3

17	Senior secured	November 16, 2021	$ 21,975,000	$ 21,975,000	$ 21,916,753	Dallas, TX	Multifamily	1mS + 3.2	0.5	73.5%	$101,466/unit	5
18	Senior secured	August 31, 2021	$ 21,750,000	$ 21,725,235	$ 21,644,684	Houston, TX	Multifamily	1mS + 3.3	0.0	74.2%	$83,249/unit	4
19	Senior secured	March 22, 2022	$ 21,808,996	$ 21,808,996	$ 21,442,771	York, PA	Multifamily	1mS + 3.3	0.8	79.2%	$148,908/unit	3
20	Senior secured	November 29, 2022	$ 20,360,000	$ 20,360,000	$ 20,360,000	Glendale, WI	Healthcare	1mS + 4	0.5	45.0%	$242,381/unit	2
21	Senior secured	November 5, 2021	$ 19,625,274	$ 19,625,274	$ 19,625,274	Orlando, FL	Multifamily	1mS + 3	1.0	78.1%	$129,969/unit	3
22	Senior secured	February 18, 2026	$ 19,500,000	$ 19,500,000	$ 19,500,000	Holt, MI	Multifamily	1mS + 3.1	3.8	76.3%	$182,243/unit	3
23	Senior secured	February 11, 2022	$ 19,445,670	$ 19,445,670	$ 19,445,670	Tampa, FL	Multifamily	1mS + 3.6	0.8	78.0%	$144,042/unit	5
24	Senior secured	November 21, 2022	$ 18,920,000	$ 18,920,000	$ 18,920,000	Houston, TX	Healthcare	1mS + 4	0.5	67.0%	$236,500/unit	2
25	Senior secured	November 10, 2022	$ 18,590,000	$ 18,590,000	$ 18,590,000	Austin, TX	Healthcare	1mS + 4	0.5	65.0%	$281,667/unit	2
26	Senior secured	February 2, 2022	$ 18,578,490	$ 18,578,490	$ 17,936,729	Houston, TX	Multifamily	1mS + 3.5	1.1	77.5%	$72,326/unit	4
27	Senior secured	November 23, 2021	$ 17,781,968	$ 17,781,968	$ 17,781,968	Orange, NJ	Multifamily	1mS + 3.2	0.5	78.0%	$161,654/unit	3
28	Senior secured	March 26, 2025	$ 17,780,000	$ 17,780,000	$ 17,780,000	Kannapolis, NC	Multifamily	1mS + 2.9	1.8	60.4%	$179,596/unit	3
29	Senior secured	December 20, 2024	$ 17,010,000	$ 17,010,000	$ 17,010,000	Lafayette, IN	Multifamily	1mS + 2.9	1.6	68.0%	$118,125/unit	3
30	Senior secured	March 31, 2022	$ 18,140,000	$ 16,956,276	$ 16,956,276	Tallahassee, FL	Multifamily	1mS + 3	0.8	74.8%	$88,314/unit	5
31	Senior secured	March 28, 2025	$ 16,500,000	$ 16,500,000	$ 16,500,000	Lansing, MI	Multifamily	1mS + 2.9	1.8	73.5%	$189,655/unit	2
32	Senior secured	July 31, 2025	$ 48,553,000	$ 34,243,723	$ 16,237,935	Oswego, IL	Multifamily	1mS + 4.2	3.2	64.7%	$86,834/unit	3
33	Senior secured	December 29, 2021	$ 16,075,387	$ 16,075,387	$ 16,075,387	Multi, NC	Multifamily	1mS + 3.9	0.6	59.9%	$19,652/unit	3
34	Senior secured	November 21, 2022	$ 15,735,000	$ 15,735,000	$ 15,735,000	Southlake, TX	Healthcare	1mS + 4	0.5	48.0%	$172,912/unit	2
35	Senior secured	April 27, 2022	$ 14,171,704	$ 14,171,704	$ 14,171,704	Houston, TX	Multifamily	1mS + 3.7	0.9	79.6%	$88,573/unit	5
36	Senior secured	April 12, 2021	$ 17,000,000	$ 13,666,721	$ 13,666,721	Cedar Park, TX	Multifamily	1mS + 3.8	0.0	66.7%	$113,889/unit	5
37	Senior secured	June 3, 2025	$ 13,510,000	$ 13,510,000	$ 13,510,000	Bound Brook, NJ	Multifamily	1mS + 4	2.0	67.6%	$177,763/unit	3
38	Senior secured	July 26, 2022	$ 13,880,000	$ 13,386,484	$ 12,905,495	Atlanta, GA	Multifamily	1mS + 3.7	1.2	65.2%	$126,524/unit	3
39	Senior secured	May 12, 2022	$ 11,926,591	$ 11,926,591	$ 11,926,591	Ypsilanti, MI	Multifamily	1mS + 3.5	1.0	68.4%	$70,992/unit	5
40	Senior secured	October 10, 2024	$ 12,100,000	$ 11,550,000	$ 11,550,000	Cottonwood, AZ	Multifamily	1mS + 3.3	3.4	38.5%	$49,359/unit	2
41	Senior secured	January 25, 2022	$ 11,406,810	$ 11,406,810	$ 11,261,792	Corpus Christi, TX	Multifamily	1mS + 3.6	2.0	78.8%	$67,436/unit	4
42	Senior secured	October 28, 2021	$ 12,203,839	$ 12,203,839	$ 11,202,535	Tampa, FL	Multifamily	1mS + 3	0.4	75.7%	$164,743/unit	3
43	Senior secured	May 3, 2022	$ 11,056,241	$ 11,056,240	$ 10,818,945	Port Richey, FL	Multifamily	1mS + 3.6	0.3	79.1%	$117,597/unit	4
44	Senior secured	September 30, 2021	$ 10,022,226	$ 10,022,225	$ 9,815,615	Clearfield, UT	Multifamily	1mS + 3.2	0.3	68.0%	$129,153/unit	3

45	Senior secured	July 14, 2022	$ 9,843,891	$ 9,843,891	$ 9,429,206	Bradenton, FL	Multifamily	1mS + 3.9	1.2	74.4%	$112,252/unit	3
46	Senior secured	April 15, 2024	$ 9,000,000	$ 9,000,000	$ 8,500,000	Multi, ID	Healthcare	1mS + 4.7	0.4	54.0%	$94,444/unit	3
47	Senior secured	May 28, 2026	$ 8,100,000	$ 8,100,000	$ 8,100,000	Des Moines, IA	Multifamily	1mS + 1.8	3.0	72.0%	$59,559/unit	3
48	Senior secured	December 19, 2025	$ 6,960,000	$ 6,960,000	$ 6,960,000	San Antonio, TX	Multifamily	1mS + 2.8	3.6	76.5%	$48,333/unit	3
49	Senior secured	October 7, 2022	$ 6,816,701	$ 6,816,701	$ 6,816,701	Fairborn, OH	Multifamily	1mS + 4.1	0.4	79.1%	$200,491/unit	2
50	Senior secured	December 19, 2024	$ 5,987,732	$ 5,987,732	$ 5,987,732	Bellflower, CA	Multifamily	1mS + 3	1.6	30.4%	$33,265/unit	2
51	Senior secured	October 27, 2025	$ 3,100,000	$ 3,100,000	$ 3,100,000	Columbus, OH	Multifamily	1mS + 2.4	2.4	75.0%	$11,654/unit	3
Total/Weighted Average			**$ 1,156,387,480**	**$ 1,132,464,038**	**$ 1,014,665,960**			**1mS + 3.3**	**1.5**	**69.3%**		**3**
Real Estate Owned[5]												
1	Real Estate Owned	March 4, 2022	N/A	$ 11,000,000	$ 11,000,000	Houston, TX	Multifamily	N/A	N/A	N/A	$76,923/unit	
2	Real Estate Owned	June 7, 2021	N/A	$ 26,585,176	$ 26,585,176	San Antonio, TX	Multifamily	N/A	N/A	N/A	$66,297/unit	
3	Real Estate Owned	June 28, 2022	N/A	$ 8,150,000	$ 8,150,000	Colorado Springs, CO	Multifamily	N/A	N/A	N/A	$88,587/unit	
4	Real Estate Owned	July 8, 2022	N/A	$ 17,029,051	$ 17,029,051	Arlington, TX	Multifamily	N/A	N/A	N/A	$73,882/unit	
Total				**$ 62,764,227**	**$ 62,764,227**							

(1) Total Loan Commitment represents the total commitment of the entire whole loan originated. See Note 11 Commitments and Contingencies to our consolidated financial statements for further discussion of unfunded commitments.
(2) Committed Principal Amount includes funded participations by LFT-affiliated entities and third parties that are syndicated/sold.
(3) LTV is as of the date the loan was originated by an ORIX affiliate and is calculated after giving effect to capex and earn-out reserves, if applicable. 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.
(4) Loan Per Unit is based on the current principal amount divided by the property's current unit count.
(5) Committed Principal and Current Principal Amount for Real Estate Owned represent the balances at the time of foreclosure.

Total Financing

Our financing arrangements include our term loan facility, collateralized loan obligations, secured financings, term lending agreement and master repurchase agreement. All of our current financing arrangements are not subject to credit or capital markets mark-to-market provisions with the exception of our master repurchase agreement.

The following table summarizes our financing agreements:

	June 30, 2026					December 31, 2025
		Maximum	Collateral	Borrowings		Borrowings
	Non-/Mark-to-Market	Facility Size[1]	Assets[2]	Outstanding	Available	Outstanding
Collateralized loan obligations	Non-Mark-to-Market	$ 663,810,950	$ 646,408,549	$ 584,983,000	$ —	$ 584,983,000
Master repurchase agreement	Mark-to-Market	450,000,000	360,955,399	248,297,347	201,702,653	177,193,781
Secured lending agreement	Mark-to-Market	50,000,000	43,177,515	24,700,000	25,300,000	17,000,000
Secured Financings	Non-Mark-to-Market	—	—	—	—	169,655,462
Secured term loan	Non-Mark-to-Market	50,000,000	N/A	50,000,000	—	47,750,000
		$ 1,213,810,950		$ 907,980,347	$ 227,002,653	$ 996,582,243

(1) Maximum facility size represents the largest amount of borrowings under a given facility once sufficient collateral assets have been approved by the lender and pledged by us.

(2) Represents the principal balance of the collateral assets and cash held by Northeast Bank related to the financing of a loan that paid off on June 30, 2026.

Collateralized Loan Obligations and Secured Financings

On June 14, 2021, the Company completed the 2021-FL1 CLO, issuing eight tranches of CLO notes through two newly formed wholly-owned subsidiaries totaling $903.8 million. Of the total CLO notes issued, $833.8 million were investment grade notes issued to third party investors and $70 million were below investment-grade notes retained by us. In addition, a $96.25 million equity interest in the portfolio was retained by us. The financing had an initial two-and-a-half year reinvestment period, which expired in December 2023, that allowed principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance was reduced as loans were repaid. Initially, the proceeds of the issuance of the securities also included $330.3 million for the purpose of acquiring additional loan obligations for a period up to 180 days from the 2021-FL1 CLO closing date, resulting in the issuer owning loan obligations with a face value of $1.0 billion, representing leverage of 83%. On November 18, 2025, the Company redeemed the 2021-FL1 CLO in full.

On July 12, 2023, the Company entered into and closed a matched-term, non-recourse collateralized commercial real estate financing (the "LMF 2023-1 Financing"), secured by $386.4 million of first lien floating-rate multifamily mortgage assets and was not subject to margin calls or additional collateralization requirements. In connection with the LMF 2023-1 Financing, approximately $270.4 million of an investment-grade rated senior secured floating rate loan was provided by a private lender and approximately $47.3 million of investment-grade rated notes (collectively, the "Senior Debt") were issued and sold to an affiliate of LFT's external manager, Lument IM. A consolidated subsidiary of LFT retained the subordinate interests in the issuing vehicle of approximately $68.6 million. The Senior Debt had an initial weighted average spread of approximately 314 basis points over 30-day term SOFR, excluding fees and transaction costs. The Senior Debt matured on the payment date in July 2032, unless it was repaid or redeemed sooner in accordance with its terms. The financing had an initial two-year reinvestment period that allowed principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance was reduced as loans were repaid. On February 20, 2026, the Company redeemed the LMF 2023-1 Financing in full and expensed the remaining $1.2 million of deferred financing costs as a loss on extinguishment of debt on the consolidated statements of operations.

On December 10, 2025, the Company completed the LMNT 2025-FL3 CLO, issuing eight tranches of CLO notes through a newly formed wholly-owned subsidiary totaling $620.7 million. Of the total CLO notes issued, $585.0 million were investment grade notes issued to third party investors and $35.7 million were below investment-grade and retained by us. In addition, a $43.1 million income note was retained by us. The financing has an initial two-and-a-half year reinvestment period that allows principal proceeds of the loan obligations to be reinvested in qualifying replacement loan obligations, subject to the satisfaction of certain conditions set forth in the indenture. Thereafter, the outstanding debt balance will be reduced as loans are repaid. Initially, the proceeds of the issuance of the securities included $5.8 million for the purpose of acquiring additional loan obligations for a period up to 180 days from the CLO closing date, resulting in the issuer owning collateral interests with a face value of $663.8 million, representing effective leverage of 88%. The investment grade notes have an initial weighted average spread of approximately 190.5 basis points over 30-day term SOFR, excluding fees and transaction costs. The investment grade notes will mature on the payment date in July 2043, unless sooner repaid or redeemed in accordance with their terms.

The following table presents certain loan and borrowing characteristics of LMNT 2025-FL3 CLO as of June 30, 2026:

	As of June 30, 2026					
Collateralized Loan Obligations/Financings	**Count**		**Principal Value**		**Carrying Value[(1)]**	**Wtd. Avg. Coupon[(2)]**
Collateral (loan investments)	30	$	646,408,549	$	642,093,223	6.93 %
Financing provided	1	$	584,983,000	$	580,686,518	5.54 %

(1) The carrying value of the collateral is net of allowance for credit loss of $4,315,326 as of June 30, 2026. The carrying value for LMNT 2025-FL3 CLO is net of debt issuance costs of $4,296,482 *for June 30, 2026.*

(2) Weighted average coupon for loan investments assumes applicable 30-day term SOFR of 3.61% as of June 30, 2026, inclusive of weighted average interest rate floors of 3.22% and spreads of 3.26%. Weighted average coupon for the financings assumes applicable 30-day term SOFR of 3.64% as of June 30, 2026 and spreads of 1.91% as of June 30, 2026.

Master Repurchase and Secured Lending Agreements

On November 3, 2025, LCMT Warehouse, LLC, an indirect wholly owned subsidiary of the Company, entered into an Uncommitted Master Repurchase Agreement ("Repurchase Agreement") with JPMorgan Chase Bank, N.A.. The Repurchase Agreement provides up to $450 million to finance first mortgage loans, controlling loan participations and other commercial mortgage loan debt instruments secured by commercial real estate, as described in more detail in the Repurchase Agreement. Advances under the Repurchase Agreement accrue interest at per annum rates equal to term SOFR plus a spread to be determined on a case-by-case basis. The initial maturity date of the Repurchase Agreement is November 3, 2028, with two (2) one-year extensions at the Company's option, which may be exercised upon the satisfaction of certain conditions as described in more detail in the Repurchase Agreement. Borrowings under the Repurchase Agreement are on a partial (25%) recourse basis. This Agreement contains defined mark-to-market provisions that permit the lender to issue margin calls based on credit marks. On May 14, 2026, the Company and JPMorgan Chase Bank, N.A. entered into an amendment to the Guarantee Agreement which waived the maximum total net leverage ratio covenant for the period ended March 31, 2026, and amended the maximum total net leverage ratio for the remainder of the 2026 fiscal year. On August 12, 2026, the Company and JPMorgan Chase Bank, N.A. entered into a second amendment to the Guarantee Agreement which amended the minimum interest coverage ratio for the periods ending June 30, 2026, September 30, 2026, December 31, 2026 and March 31, 2027. As of June 30, 2026 and December 31, 2025, we were in compliance with these covenants.

On December 10, 2025, LCMT NPL Warehouse, LLC, an indirect wholly owned subsidiary of the Company, entered into a loan agreement ("Loan Agreement") with Northeast Bank. The Loan Agreement provides for up to $50 million in maximum aggregate advances over a 36-month draw period to finance first mortgage loans and controlling first mortgage loan participations secured by commercial real estate. Each collateral loan financed under the Loan Agreement will be classified as a performing or non-performing loan, as described in more detail in the Loan Agreement. The Loan Agreement also provides financing for commercial REO properties, with related REO entities joining as borrowers under the Loan Agreement from time to time, as described in more detail in the Loan Agreement.

The following table presents certain loan and borrowing characteristics of the Repurchase Agreement and Loan Agreement as of June 30, 2026:

	As of June 30, 2026			
Secured Financing Agreements	**Count**	**Principal Value[(1)]**	**Carrying Value[(2)]**	**Wtd. Avg Coupon[(3)]**
Collateral (loan investments)	20	380,401,068	371,804,985	7.05 %
Collateral (cash)	1	13,200,000	13,200,000	N/A
Collateral (REO assets)	1	10,531,845	7,701,123	N/A
Financing provided[(4)]	2	272,997,347	271,140,326	5.73 %

(1) Principal value of the Repurchase Agreement was $248,297,347 and the principal value of the Loan Agreement was $24,700,000 as of June 30, 2026.

(2) Net of 1.9 million unamortized deferred financing costs as of June 30, 2026.

(3) Weighted average funding cost for the Repurchase Agreement assumes applicable 30-day term SOFR of 3.64% as of June 30, 2026 and a spread of 1.99%. Weighted average funding cost for the Loan Agreement assumes applicable 30-day term SOFR of 3.64% as of June 30, 2026 and a spread of 3.50%.

(4) Borrowings under the Repurchase Agreement are on a partial (25%) recourse basis. This Agreement contains defined mark-to-market provisions that permit the lender to issue margin calls based on credit marks.

Secured Term Loan

In January 2020, we entered into a $40.25 million secured term loan with an initial maturity of February 2025. In April 2021, we entered into an amendment, providing, among other things, an incremental secured term loan in the amount of $7.5 million and a one-year maturity extension to February 2026. In August 2021, the Company drew down the $7.5 million incremental secured term loan. In February 2026, the Company entered into certain additional amendments that extended the maturity to February 20, 2030. In addition, the February 2026 amendments provided the Company with an incremental secured term loan in the aggregate principal amount of $2.25 million, which the Company drew upon on February 23, 2026.

As most recently amended, borrowings under the Secured Term Loans bear interest at a fixed rate of 9.75% per annum, which is subject to step up by 0.50% per annum for the first three months after February 20, 2029, with further step ups of 0.50% per annum every three months thereafter until the maturity date.

The Credit Agreement contains affirmative and negative covenants binding the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to: minimum asset coverage ratio; minimum unencumbered assets ratio; maximum total net leverage ratio; minimum tangible net worth; and an interest charge coverage ratio. On August 12, 2026, the minimum interest coverage ratio was amended for the periods ending June 30, 2026, September 30, 2026, December 31, 2026 and March 31, 2027. As of June 30, 2026 and December 31, 2025, we were in compliance with these covenants.

The Credit Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, violation of covenants, cross default with material indebtedness, and change of control.

The following table presents certain borrowing characteristics of the Secured Term Loan as of June 30, 2026:

	As of June 30, 2026		
	Outstanding Balance	**Carrying Value**	**Coupon**
Secured Term Loan	$ 50,000,000	$ 49,667,476	9.75 %

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to understanding our financial statements because they involve significant judgments and uncertainties that could affect our reported assets and liabilities, as well as our reported revenues and expenses. All of these estimates reflect our best judgments about current, and for some estimates, future economic and market conditions and their effects based on information available as of the date of the financial statements. If conditions change from those expected, it is possible that the judgments and estimates described below could change, which may result in a change in our interest income recognition, allowance for credit losses, future impairment of our investments, and valuation of our investment portfolio, among other effects. We believe that the following accounting policies are among the most important to the portrayal of our financial condition and results of operations and require the most difficult, subjective or complex judgments.

Commercial Mortgage Loans Held-for-Investment

The Company recognizes and measures the allowance for credit losses under the Current Expected Credit Loss ("CECL") model which amended the previous credit loss model to reflect a reporting entity's current estimate of all expected credit losses, not only based on historical experience and current economic conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, and off-balance credit exposures such as unfunded loan commitments. The allowance for credit losses required under the FASB ASC Topic *"Financial Instruments - Credit Losses,"* or ASC 326, is included in "Allowance for credit losses" on our consolidated balance sheets. The allowance for credit losses attributed to unfunded loan commitments is included in "Other liabilities" on the consolidated balance sheets.

The Company estimates the allowance for credit losses for its portfolio on a collective basis, including unfunded loan commitments, for loans that share similar risk characteristics. The calculation is applied at the loan level. The allowance for credit losses estimation methodology used by LFT includes a probability of default and loss given default method utilizing a widely used third-party analytical model with historical loan losses for over 125,000 commercial real estate loans dating back to 1998. Within this data set, we focused our historical loss information on the most relevant subset of available CRE data, which we determined based on loan metrics that are most comparable to our loan portfolio including asset type, spread to interest rate, unpaid principal balance and origination loan-to-value, or LTV. The Company uses this proxy data set, or variants of it, unless the Company develops its own sufficient history of realized losses. The Company determined the key variables driving its allowance for credit losses estimate are debt service coverage ratio and LTV ratio. Other notable variables include property type, property location and loan vintage. The Company determines its allowance for credit loss estimate based on the weighting of multiple macroeconomic forecast scenarios driven by macroeconomic variables such as gross domestic product ("GDP"), unemployment rate, federal funds target rate and core personal consumption expenditure ("PCE") among others, during the reasonable and supportable forecast period. The reasonable and supportable forecast period is currently one year, however, the Company regularly evaluates the reasonable and supportable forecast period to determine if a change is needed based on our assessment of the most likely scenario of assumptions and plausible outcomes for the U.S. economy. For the period beyond which the Company is able to make reasonable and supportable forecasts, the Company reverts, on a straight-line basis over four quarters, to the historical loss information derived from CRE data set.

Any loans considered to be a Default Risk or otherwise deemed to be collateral dependent will be individually evaluated for a specific allowance for credit losses. A loan is considered collateral dependent when the Company determines that the facts and circumstances of the loan deem the debtor to be experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. If a loan is considered to be collateral dependent, a specific allowance for credit losses is recorded to reduce the carrying value of the loan through a charge to the provision for (reversal of) credit losses. The specific allowance for credit losses is measured by comparing the estimated fair value of the underlying collateral, less costs to sell, to the amortized cost of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, market rents, occupancy rates, and other factors deemed necessary by the Manager. Actual losses, if any, could ultimately differ from estimated losses.

Quarterly, the Company assesses the risk factors of each loan classified as held-for-investment and assigns a risk rating based on a variety of factors, including, without limitation, debt-service coverage ratio ("DSCR"), loan-to-value ratio ("LTV"), property type, geographic and local market dynamics, physical condition, leasing and tenant profile, adherence to business plan and exit plan, maturity default risk and project sponsorship. The Company's loans are rated on a 5-point scale, from least risk to greatest risk, respectively, which ratings are described as follows:

1. **Very Low Risk**: exceeds expectations and is outperforming underwriting or it is very likely that the underlying loan can be refinanced easily in the period's prevailing capital market conditions
2. **Low Risk**: meeting or exceeding underwritten expectations
3. **Moderate Risk**: consistent with underwritten expectations or the sponsor may be in the early stages of executing the business plan and the loan structure appropriately mitigates additional risks
4. **High Risk**: potential risk of default, a loss may occur in the event of default
5. **Default Risk**: imminent risk of default, a loss is likely in the event of default

Capital Allocation

The following tables set forth our allocated capital by investment type at June 30, 2026 and December 31, 2025:

	June 30, 2026				
	Commercial Mortgage Loans	**Real Estate Owned**	**MSRs**	**Unrestricted Cash[(1)]**	**Total[(2)]**
Carrying Value	$ 991,664,826	$ 61,602,050	$ 506,733	$ 28,979,474	$ 1,082,753,083
Collateralized Loan Obligations	(580,686,518)	—	—	—	(580,686,518)
Secured Financings	—	—	—	—	—
Master Repurchase Agreement	(219,715,881)	(26,930,116)	—	—	(246,645,997)
Term Lending Agreement	(10,980,963)	(13,513,366)	—	—	(24,494,329)
Other[(3)]	3,206,696	—	—	(5,345,569)	(2,138,873)
Restricted Cash	24,502,400	1,196,079	—	—	25,698,479
Capital Allocated	**$ 207,990,560**	**$ 22,354,647**	**$ 506,733**	**$ 23,633,905**	**$ 254,485,845**
% Capital	**81.7 %**	**8.8 %**	**0.2 % -0.361**	**9.3 %**	**100.0 %**

	December 31, 2025				
	Commercial Mortgage Loans	**Real Estate Owned**	**MSRs**	**Unrestricted Cash[(1)]**	**Total[(2)]**
Carrying Value	$ 1,114,047,992	$ 50,938,082	$ 554,246	$ 23,112,995	$ 1,188,653,315
Collateralized Loan Obligations	(580,070,117)	—	—	—	(580,070,117)
Secured Financings	(160,587,813)	(7,775,554)	—	—	(168,363,367)
Master Repurchase Agreement	(157,077,346)	(18,127,523)	—	—	(175,204,869)
Term Lending Agreement	(16,738,351)	—	—	—	(16,738,351)
Other[(3)]	19,118,787	—	—	(4,094,489)	15,024,298
Restricted Cash	3,505,087	—	—	—	3,505,087
Capital Allocated	**$ 222,198,239**	**$ 25,035,005**	**$ 554,246**	**$ 19,018,506**	**$ 266,805,996**
% Capital	**83.3 %**	**9.4 %**	**0.2 % -0.361**	**7.1 %**	**100.0 %**

(1) Includes cash and cash equivalents.
(2) Includes the carrying value of our Secured Term Loan.
(3) Includes principal and interest receivable, prepaid and other assets, interest payable, dividends payable and accrued expenses and other liabilities.

This information represents non-GAAP financial measures within the meaning of Item 10(e) of Regulation S-K, as promulgated by the SEC. We believe that this non-GAAP information enhances the ability of investors to better understand the capital necessary to support each income-earning asset category, and thus our ability to generate operating earnings. While we believe that the non-GAAP information included in this report provides supplemental information to assist investors in analyzing our portfolio, 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.

Results of Operations

The table below presents information from our Statement of Operations for the three months ended June 30, 2026 and March 31, 2026, respectively:

	Three Months Ended June 30, 2026	Three Months Ended March 31, 2026
	(unaudited)	(unaudited)
Revenues:		
Interest income:		
Commercial mortgage loans held-for-investment	$ 18,946,403	$ 20,901,542
Cash and cash equivalents	102,828	165,847
Interest expense:		
Securitized debt obligations	(8,582,040)	(10,375,765)
Secured financing agreements	(4,700,649)	(3,855,105)
Secured term loan	(1,263,812)	(1,139,841)
Net interest income	4,502,730	5,696,678
Expenses:		
Management and incentive fees	1,088,516	1,095,000
General and administrative expenses	1,409,608	1,066,737
Operating expenses reimbursable to Manager	623,404	466,431
Other operating expenses	622,726	917,172
Compensation expense	111,250	111,250
Total expenses	3,855,504	3,656,590
Other income and expense:		
(Provision for) release of credit losses, net	(8,625,695)	732,373
Net income (expense) from real estate owned operations	(210,847)	(91,406)
Change in unrealized (loss) gain on mortgage servicing rights	(17,268)	(30,245)
Gain on sale of real estate owned	145,435	—
Loss on extinguishment of debt	—	(1,152,861)
Real estate owned impairment expense	—	(1,350,435)
Servicing income, net	37,499	54,421
Total other income and expense	(8,670,876)	(1,838,153)
Net income (loss) before provision for income taxes	(8,023,650)	201,935
Benefit from (provision for) income taxes	10,745	4,648
Net income (loss)	(8,012,905)	206,583
Dividends accrued to preferred stockholders	(1,185,043)	(1,184,958)
Net income (loss) attributable to common stockholders	$ (9,197,948)	$ (978,375)
Earnings per share:		
Net income (loss) attributable to common stockholders (basic and diluted)	$ (9,197,948)	$ (978,375)
Weighted average number of shares of common stock outstanding	52,459,976	52,400,158
Basic and diluted income per share	$ (0.18)	$ (0.02)
Dividends declared per share of common stock	$ 0.04	$ 0.04

Three Months Ended June 30, 2026 Compared to Three Months Ended March 31, 2026

Net Income (Loss) Summary

For the three months ended June 30, 2026, our net loss attributable to common stockholders was $9,197,948, or $0.18 basic and diluted net loss per average share, compared with net loss of $978,375, or $0.02 basic and diluted net loss per average share, for the three months ended March 31, 2026. The principal drivers of this net loss increase were a decrease in net interest income from $5,696,678 for the three months ended March 31, 2026 to $4,502,730 for the three months ended June 30, 2026, an increase in total other expense from $1,838,153 for the three months ended March 31, 2026 to $8,670,876 for the three months ended June 30, 2026 primarily due to specific reserves taken on two loans moving to a risk rating of "5" in the quarter, additional specific reserves taken on existing risk rated "5" loans and changes in macroeconomic assumptions employed in determining the Company's model-based general reserve and an increase in total expenses from $3,656,590 for the three months ended March 31, 2026 to $3,855,504 for the three months ended June 30, 2026.

Net Interest Income

For the three months ended June 30, 2026 and the three months ended March 31, 2026, our net interest income was $4,502,730 and $5,696,678, respectively. The decrease was primarily due to (i) a $62.3 million decrease in weighted-average principal balance of our loan portfolio resulting in a increase to interest income of $1.0 million; (ii) a decrease in exit fees of $0.2 million; (iii) a decrease in extension fees of $0.3 million and (iv) an increase in non-performing loan interest reduction of $0.4 million. This was partially offset by (i) a $40.9 million decrease in weighted-average principal balance of our secured borrowings resulting in a decrease in interest expense of $0.8 million and (ii) a $0.1 million decrease in deferred financing costs.

As disclosed above, we experienced a decrease in exit fees in the three months ended June 30, 2026. For the three months ended June 30, 2026, we experienced loan payoffs on four loans with net principal balances of $95.3 million which generated exit fees of $0.7 million included in interest income and one loan with net unpaid principal balance of $22.0 million which waived exit fees of $0.2 million resulting in a reduction in expense reimbursement of $0.1 million included in operating expenses reimbursable to Manager. For the three months ended March 31, 2026, we experienced loan payoffs on seven loans with net principal balances of $46.8 million which generated exit fees of $0.9 million included in interest income and one loan with net unpaid principal balance of $6.0 million which waived exit fees of $0.1 million resulting in a reduction in expense reimbursement of $0.0 million included in operating expenses reimbursable to Manager.

Expenses

For the three months ended June 30, 2026, we incurred management and incentive fees of $1,088,516 representing amounts payable to our Manager under our management agreement. We also incurred operating expenses of $2,766,988, of which $623,404 was payable to our Manager and $2,143,584 was payable directly by us.

For the three months ended March 31, 2026, we incurred management and incentive fees of $1,095,000 representing amounts payable to our Manager under our management agreement. We also incurred operating expenses of $2,561,590 of which $466,431 was payable to our Manager and $2,095,159 was payable directly by us.

The period-over-period increase in expenses primarily reflects an increase in accounting, administration, professional and surveillance fees and expense reimbursement which more than offset a decrease in title, servicing and audit fees.

Other (Loss)

For the three months ended June 30, 2026, we incurred other loss of $8,670,876. This loss was driven by provision for credit losses of $8,625,695 primarily due to specific reserves taken on two loans moving to a risk rating of "5" in the quarter, additional specific reserves taken on existing risk rated "5" loans and changes in macroeconomic assumptions employed in determining the Company's model-based general reserve, net expense from real estate owned operations of $210,847 and the impact of unrealized losses on mortgage servicing rights of $17,268 as a result of a reduction in principal balances, which more than offset a realized gain on sale of a real estate owned property of $145,435 and net servicing income of $37,499.

For the three months ended March 31, 2026, we incurred other loss of $1,838,153. This loss was primarily driven by loss on extinguishment of debt of $1,152,861 resulting from the redemption of LMF 2023-1 Financing, loss on real estate owned impairment expense of $1,350,435, net expense from real estate owned operations of $91,406 and the impact of net unrealized losses on mortgage servicing rights of $30,245 as a result of a reduction of principal balance in the period which more than offset a release to the provision for credit losses of $732,373 due to changes in macroeconomic assumptions employed in determining the Company's model-based general reserve and specific reserves taken on risk-rated "5" multifamily loans and net servicing income of $20,174.

The period-over-period increase in other loss was primarily due to the change in provision for credit losses.

Income Tax Provision

For the three months ended June 30, 2026, the Company recognized a benefit from income taxes of $10,745 and for the three months ended March 31, 2026, the Company recognized a provision for income taxes in the amount of $4,648. The period-over-period increase in tax benefit primarily reflects the change in gross deferred revenue at FOAC due to the change in unrealized loss on mortgage servicing rights.

Results of Operations

The table below presents information from our Statement of Operations for the six months ended June 30, 2026 and June 30, 2025, respectively:

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
	(unaudited)	(unaudited)
Revenues:		
Interest income:		
Commercial mortgage loans held-for-investment	$ 39,847,945	$ 41,661,245
Cash and cash equivalents	268,675	1,227,530

Interest expense:		
Securitized debt obligations	(18,957,805)	(26,283,248)
Secured financing agreements	(8,555,754)	—
Secured Term Loan	(2,403,653)	(1,910,214)
Net interest income	10,199,408 10199408	14,695,313
Expenses:		
Management and incentive fees	2,183,516	2,415,840
General and administrative expenses	2,476,345	1,931,021
Operating expenses reimbursable to Manager	1,089,835	899,421
Other operating expenses	1,539,898	280,536
Compensation expense	222,500	222,500
Total expenses	7,512,094	5,749,318
Other income and expense:		
Provision for credit losses, net	(7,893,322)	(5,792,429)
Net income (expense) from real estate owned operations	(302,253)	—
Gain on sale of real estate owned	145,435	—
Real estate owned impairment expense	(1,350,435)	—
Change in unrealized (loss) on mortgage servicing rights	(47,513)	(58,974)
Loss on extinguishment of debt	(1,152,861)	—
Servicing income, net	91,920	78,079
Total other income and expense	(10,509,029)	(5,773,324)
Net (loss) income before provision for income taxes	(7,821,715)	3,172,671
Benefit from (provision for) income taxes	15,393	(4,466)
Net (loss) income	(7,806,322)	3,168,205
Dividends accrued to preferred stockholders	(2,370,001)	(2,370,000)
Net (loss) income attributable to common stockholders	$ (10,176,323)	$ 798,205
Earnings per share:		
Net (loss) income attributable to common stockholders (basic and diluted)	$ (10,176,323)	$ 798,205
Weighted average number of shares of common stock outstanding	52,430,232	52,321,157
Basic and diluted income per share	$ (0.19)	$ 0.02
Dividends declared per share of common stock	$ 0.08	$ 0.14

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Net (Loss) Income Summary

For the six months ended June 30, 2026, our net loss attributable to common stockholders was $10,176,323, or $0.19 basic and diluted net loss per average share, compared with net gain of $798,205, or $0.02 basic and diluted net income per average share, for the six months ended June 30, 2025. The principal drivers of this net income decrease were a decrease in net interest income from $14,695,313 for the six months ended June 30, 2025 to $10,199,408 for the six months ended June 30, 2026, an increase in total other expense from $5,773,324 for the six months ended June 30, 2025 to $10,509,029 for the six months ended June 30, 2026 primarily due to specific reserves taken on loans moving to a risk rating of "5", additional specific reserves taken on existing risk rated "5" loans and changes in macroeconomic assumptions employed in determining the Company's model-based general reserve and an increase in total expenses from $5,749,318 for the six months ended June 30, 2025 to $7,512,094 for the six months ended June 30, 2026.

Net Interest Income

For the six months ended June 30, 2026 and the six months ended June 30, 2025, our net interest income was $10,199,408 and $14,695,313, respectively. The decrease was primarily due to (i) a $135.5 million increase in weighted-average principal balance of our secured borrowings; (ii) a 81bps decrease in weighted-average floating rate of our loan portfolio for the six months ended June 30, 2026 compared to the corresponding period in 2025; (iii) a 23bps decrease in weighted-average spread of our loan portfolio (iv) an increase in non-performing loan interest reduction of $2.3 million (v) a $0.2 million decrease in purchase discount accretion; (vi) a decrease of $1.0 million in interest earned on cash accounts and (vii) a $0.5 million increase in term loan expense due to an increase in coupon. This was partially offset by (i) a $116.1 million increase in weighted-average principal balance of our loan portfolio; (ii) a 89bps decrease in weighted-average floating rate of secured borrowing liabilities; (iii) a 23bps decrease in weighted-average spread of our secured borrowing liabilities; (iv) an increase in exit fees of $0.6 million; (v) an increase in extension fees of $0.2 million and (vi) a $0.8 million reduction in deferred financing costs.

As disclosed above, we experienced an increase in exit fees in the six months ended June 30, 2026. For the six months ended June 30, 2026, we experienced loan payoffs on eleven loans with net principal balances of $142.1 million which generated exit fees of $1.6 million included in interest income and two loans with net unpaid principal balance of $28.0 million which waived exit fees of $0.3 million resulting in a reduction in expense reimbursement of $0.1 million included in operating expenses reimbursable to Manager. For the six months ended June 30, 2025, we experienced loan payoffs on thirteen loans with net principal balances of $110.9 million which generated exit fees of $1.1 million included in interest income and one loan with net unpaid principal balance of $7.2 million which waived exit fees of $0.1 million resulting in a reduction in expense reimbursement of $0.0 million included in operating expenses reimbursable to Manager.

Expenses

For the six months ended June 30, 2026, we incurred management and incentive fees of $2,183,516 representing amounts payable to our Manager under our management agreement. We also incurred operating expenses of $5,328,578, of which $1,089,835 was payable to our Manager and $4,238,743 was payable directly by us.

For the six months ended June 30, 2025, we incurred management and incentive fees of $2,415,840 representing amounts payable to our Manager under our management agreement. We also incurred operating expenses of $3,333,478 of which $899,421 was payable to our Manager and $2,434,057 was payable directly by us.

The period-over-period increase in expenses primarily reflects an increase in accounting, audit, servicing, legal and property fees and expense reimbursement.

Other (Loss)

For the six months ended June 30, 2026, we incurred other loss of $10,509,029. This loss was driven by provision for credit losses of $7,893,322 primarily due to specific reserves taken on loans moving to a risk rating of "5", additional specific reserves taken on existing risk rated "5" loans and changes in macroeconomic assumptions employed in determining the Company's model-based general reserve, loss on extinguishment of debt of $1,152,861 resulting from the redemption of LMF 2023-1 Financing, loss on real estate owned impairment expense of $1,350,435, net expense from real estate owned operations of $302,253 and the impact of unrealized losses on mortgage servicing rights of $47,513 as a result in reduction in principal balances, which more than offset net servicing income of $37,499.

For the six months ended June 30, 2025, our other loss was $5,773,324. This loss was driven by provision for credit losses of $5,792,429 due to specific reserves taken on risk-rated "5" multifamily loans, changes in macroeconomic assumptions employed in determining the company's model-based general reserve and net unrealized loss on mortgage servicing rights of $58,974 as a result of a reduction in principal balances, which more than offset net servicing income of $78,079.

The period-over-period decrease in other loss was primarily due to the change in the provision for credit losses.

Income Tax Provision

For the six months ended June 30, 2026, the Company recognized a benefit from income taxes of $15,393 and for the six months ended June 30, 2025, the Company recognized a provision for income taxes in the amount of $4,466. The period-over-period decrease in tax provision primarily reflects the change in gross deferred revenue at FOAC due to the change in unrealized loss on mortgage servicing rights.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to pay dividends, fund investments, comply with margin requirements, if any, and repay borrowings and other general business needs. Our primary sources of liquidity have been net proceeds from common or preferred stock issuance, net proceeds from debt offerings and net cash provided by operating activities, primarily derived from our retained beneficial interest in CRE CLOs and secured financings. We finance our commercial mortgage loans primarily through non-recourse, term-matched secured borrowings, which are not subject to margin calls or additional collateralization requirements and repurchase facilities, which are only subject to credit risk. On December 10, 2025, we closed the LMNT 2025-FL3 CLO issuing eight tranches of CLO notes totaling $620.7 million. Of the total CLO notes issued $585.0 million were investment grade notes issued to third-party investors and $35.7 million were below investment-grade notes retained by us. In addition, we retained a $43.1 million income note. On August 23, 2021, we drew an additional $7.5 million of our Secured Term Loan pursuant to the Third Amendment and on February 23, 2026, we drew an additional $2.3 million of our Secured Term Loan pursuant to the Sixth Amendment. As of June 30, 2026, our balance sheet included $50.0 million of a secured term loan and $0.6 billion in collateralized loan financing, gross of discounts and debt issuance costs. Our secured term loan matures in February 2030, our collateralized loan financing is term-matched and matures in 2043 or later. On November 3, 2025, we entered into an Uncommitted Master Repurchase Agreement providing financing capacity of up to $450 million to finance first mortgage loans, controlling loan participations and other commercial mortgage loan debt instruments secured by commercial real estate. On December 10, 2025, we entered into a loan agreement providing financing capacity of up to $50 million to finance first mortgage loans and controlling first mortgage loan participations secured by commercial real estate. These facilities provide additional liquidity and financing flexibility to support the acquisition and financing of eligible commercial mortgage loans. To the extent that we maintain available borrowing capacity under these facilities and have sufficient capital available for deployment, we expect to utilize these financing arrangements to fund new commercial mortgage loan investments and support future portfolio growth. The pace at which we deploy capital into new investments will depend on the availability of attractive investment opportunities, our liquidity position and available borrowing capacity under these facilities. However, to the extent that available borrowing capacity under these facilities and our available capital resources are insufficient to support our investment activity, we will be dependent on our ability to issue additional collateralized loan obligations, secure alternative financing facilities or raise additional common or preferred equity. Notwithstanding the current period of relatively high interest rates, the U.S. Federal Reserve began decreasing rates in 2024. Although decelerating, inflation remains above the U.S. Federal Reserve's target levels. Despite multiple federal funds rate decreases over the course of 2024 and 2025, interest rates have remained elevated. Although capital markets have largely adjusted to a higher-for-longer interest rate environment and persistent geopolitical uncertainty, unexpected market dislocations could reduce liquidity and further affect borrowing costs. A lack of liquidity for a prolonged period of time could limit our ability to grow our business.

Our primary driver of cash flows from operating activities is from interest received from the junior retained notes and income notes of our CRE CLO and the senior loans financed by our secured funding agreements. The CRE CLOs and other secured financings we have entered into, and may in the future enter into, include certain interest coverage tests, overcollateralization coverage tests, financial or other tests that, if not met, may result in a change in the priority of distributions, which may result in the reduction or elimination of distributions to the subordinate debt and equity tranches retained by us until the tests have been met or certain senior classes of securities have been paid in full. Accordingly, if such tests are not satisfied, we, as holders of the subordinate debt and equity interests in the applicable CRE CLO or secured financing, may experience a significant reduction in our cash flow from those interests, which would negatively impact our liquidity. In addition, our secured financing agreements contain margin call provisions following the occurrence of certain mortgage loan credit events. If we are unable to make the required payment or if we fail to meet or satisfy any of the covenants in our financing agreements, we will be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral, including cash to satisfy margin calls, and enforce their interests against existing collateral.

If we were required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously recorded our assets, particularly in a financial market that has been significantly disrupted and less liquid as a result of the current inflationary environment. Assets that are illiquid are more difficult to finance, and to the extent that we use leverage to finance assets that become illiquid, we may lose that leverage or have it reduced if such leverage is, at least in part, dependent on the market value of our assets. Assets tend to become less liquid during times of financial stress, which is often the time that liquidity is most needed. As a result, our ability to sell assets or vary our portfolio in response to changes in economic and other conditions may be limited by liquidity constraints, which could adversely affect our results of operations and financial condition. We seek to limit our exposure to illiquidity risk to the extent possible, by ensuring that the secured borrowings that we use to finance our commercial mortgage loans are not subject to margin calls or other limitations that are dependent on the market value of the related loan collateral.

We intend to continue to maintain a level of liquidity in relation to our assets that enables us to meet reasonably anticipated investment requirements, margin requirements and unforeseen business needs but that also allows us to be substantially invested in our target assets. We may misjudge the appropriate amount of our liquidity by maintaining excessive liquidity, which would lower our investment returns, or by maintaining insufficient liquidity, which would force us to liquidate assets into unfavorable market conditions and harm our operating results. As of June 30, 2026, we had unrestricted cash and cash equivalents of $29.0 million, compared to $23.1 million as of December 31, 2025.

As of June 30, 2026, we had $50.3 million in outstanding principal under our Senior Secured Term Loan, with a borrowing rate of 9.75%. As of June 30, 2026, the ratio of our recourse debt to equity was 0.5:1.

As of June 30, 2026, we consolidated the assets and liabilities of the LMNT 2025-FL3 CLO. The assets of the LMNT 2025-FL3 CLO are restricted and can only be used to fulfill their respective obligations, and accordingly the obligations of the trust, which we classify as collateralized loan obligations, do not have any recourse to us as the consolidator of the trust. As of June 30, 2026, the carrying value of these non-recourse liabilities amounted to $784.6 million. As of June 30, 2026, our total debt to equity ratio was 4.4:1 on a GAAP basis.

Cash Flows

The following table sets forth changes in cash, cash equivalents and restricted cash for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30, 2026	
	2026	**2025**
Cash Flows From Operating Activities	$ 4,072,101	$ 7,705,461
Cash Flows From Investing Activities	119,877,721	115,958,078
Cash Flows (Used in) Financing Activities	(95,889,951)	(134,479,680)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	$ 28,059,871	$ (10,816,141)

During the six months ended June 30, 2026, cash, cash equivalents and restricted cash increased by $28.1 million and for the six months ended June 30, 2025, cash, cash equivalents and restricted cash decreased by $10.8 million.

Operating Activities

For the six months ended June 30, 2026 and 2025, net cash provided by operating activities totaled $3.6 million and $7.7 million, respectively. For the six months ended June 30, 2026, our cash flows from operating activities were primarily driven by interest received from the junior retained notes from the LMF 2023-1 Financing and LMNT 2025-FL3 CLO of $6.6 million, interest received from our senior secured loans held outside the VIEs we consolidate of $3.3 million, exit fees received of $1.6 million and interest received on cash accounts of $0.3 million exceeding cash interest expense paid on our Secured Term Loan of $2.3 million, management fees of $1.1 million, expense reimbursements of $0.5 million and other operating expenditures of $4.8 million. For the six months ended June 30, 2025, our cash flows from operating activities were primarily driven by interest received from the junior retained notes and preferred shares of the 2021-FL1 CLO and LMF 2023-1 Financing of $13.2 million, interest received on cash accounts of $1.2 million exceeding cash interest expense paid on our Secured Term Loan of $1.8 million, management and incentive fees of $2.2 million, expense reimbursements of $0.9 million and other operating expenditures of $2.3 million.

Investing Activities

For the six months ended June 30, 2026, net cash provided by investing activities totaled $120.3 million. This was the result of principal repayment of commercial mortgage loans held for investment during the period. For the six months ended June 30, 2025, net cash provided by investing activities totaled $116.0 million. This was the result of principal repayment of commercial mortgage loans held for investment during the period.

Financing Activities

For the six months ended June 30, 2026, net cash used in financing activities totaled $95.9 million and primarily related to repayment of the outstanding debt related to the LMF 2023-1 Financing of $169.7 million, repayment of secured financing agreements of $112.8 million, payments of common stock dividends of $4.2 million and payments of preferred stock dividends of $2.4 million which more than offset proceeds from secured financing agreements of $191.6 million. For the six months ended June 30, 2025, net cash used in financing activities totaled $134.5 million primarily related to repayment of the outstanding debt related to the 2021-FL1 CLO and LMF 2023-1 Financing of $119.0 million, payments of common stock dividends of $13.1 million and payment of preferred stock dividends of $2.4 million.

Contractual Obligations and Commitments

Our contractual obligations as of June 30, 2026 are described in the following table:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
JPMorgan Facility	$ 248,297,347	$ —	$ 248,297,347	$ —	$ —
Northeast Bank Facility	17,700,000	—	17,700,000	—	—
Secured Term Loan	50,000,000	—	—	50,000,000	—
Total	$ 315,997,347	$ —	$ 265,997,347	$ 50,000,000	$ —

Forward-Looking Statements Regarding Liquidity

Based upon our current portfolio, leverage rate and available borrowing arrangements, we believe that cash flow from operations and available borrowing capacity will be sufficient to enable us to meet anticipated short-term (one year or less) liquidity requirements to fund our investment activities, pay fees under our management agreement, fund our distributions to stockholders and for other general corporate expenses.

Our ability to meet our long-term (greater than one year) liquidity and capital resource requirements will be subject to, amongst other things, obtaining additional debt financing and equity capital. We may increase our capital resources by obtaining long-term credit facilities, additional collateralized loan obligations or making additional public or private offerings of equity or debt securities, possibly including classes of preferred stock, common stock and senior or subordinated notes.

To maintain our qualification as a REIT, we generally must distribute annually at least 90% of our "REIT taxable income" (determined without regard to the deduction for dividends paid and excluding net capital gain). These distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations.

Off-Balance Sheet Arrangements

As of June 30, 2026, we did not maintain any relationships with unconsolidated financial partnerships, or special purpose or variable interest entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, as of June 30, 2026, we had not guaranteed any obligations of unconsolidated entities or entered into any commitment or intent to provide funding to any such entities.

Distributions

We intend to continue to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its "REIT taxable income" (determined without regard to the deduction for dividends paid and excluding net capital gain) and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its "REIT taxable income." We have historically made regular monthly distributions, but with effect from the third quarter of 2018 we now make regular quarterly distributions, to our stockholders in an amount equal to all or substantially all of our taxable income. Although FOAC no longer aggregates and securitizes residential mortgages, it continues to generate taxable income from MSRs and other mortgage-related activities. This taxable income will be subject to regular corporate income taxes. We generally anticipate the retention of profits generated and taxed at FOAC. Before we make any distribution on our common stock, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and any debt service obligations on debt payable. If cash available for distribution to our stockholders is less than our taxable income, we could be required to sell assets or borrow funds to make cash distributions, or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

If substantially all of our taxable income has not been paid by the close of any calendar year, we may declare a special dividend prior to the end of such calendar year, to achieve this result. On June 12, 2026, we announced that our Board had declared a cash dividend rate for the second quarter of 2026 of $0.04 per share of common stock which was paid on July 15, 2026 and declared a cash dividend rate for the second quarter of 2026 of $0.49219 per share of Series A Preferred Stock which was paid on July 15, 2026.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e)) under the Securities Exchange Act of 1934, as amended, or Exchange Act, that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 as of June 30, 2026. Based upon our evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2026.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 or 15d-15 that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of the date hereof, neither we nor, to our knowledge, our Manager, are subject to any legal proceedings that we or our Manager considers to be material (individually or in the aggregate).

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors as disclosed in the section entitled “Risk Factors” beginning on page 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 and filed with the SEC on March 23, 2026. The following additional risk factor should be read in conjunction with the risk factors previously disclosed in such Annual Report. These risk factors may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations.

We are subject to the continued listing requirements of the NYSE. If we are unable to comply with such requirements, our common stock will be delisted from the NYSE, which would limit investors’ ability to effect transactions in our common stock and subject us to additional trading restrictions.

Our common stock currently trades on the NYSE under the symbol “LFT”. On July 24, 2026, the Company received the Notice from the NYSE stating that the Company is not in compliance with Section 802.01C of the NYSE Listed Company Manual because the average closing price of the Company’s common stock was less than $1.00 over a consecutive 30 trading-day period. Under NYSE rules, a company that is out of compliance with the minimum share price requirement has a cure period of six months to regain compliance if it notifies the NYSE within 10 business days of receiving a deficiency notice of its intention to cure the deficiency.

To address this deficiency, our Board has approved a reverse stock split of our common stock at a ratio of 1-for-10. Our Board has the authority, but not the obligation, to effect the reverse stock split and may abandon the reverse stock split at any time. There can be no assurance that our Board will elect to effect the reverse stock split, that any reverse stock split will result in a sustained increase in the per share trading price of our common stock sufficient for us to regain or maintain compliance with the minimum share price requirement, or that our common stock will not decline in price following any reverse stock split.

If the Company fails to regain compliance and the NYSE delists our common stock, we could face significant material adverse consequences, including: a limited availability of market quotations for our securities; reduced liquidity for our securities; a determination that our common stock is a “penny stock” which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; a limited amount of news and analyst coverage; and a decreased ability to issue additional securities or obtain additional financing in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Entry into Amendment No. 2 to the Guarantee Agreement

On November 3, 2025, LCMT Warehouse, LLC, an indirect wholly owned subsidiary of the Company, entered into the Repurchase Agreement and the Guarantee Agreement. On August 12, 2026, the Company and JPMorgan Chase Bank, N.A. entered into Amendment No. 2 to the Guarantee Agreement, which amended the interest coverage ratio covenant for the periods ending June 30, 2026, September 30, 2026, December 31, 2026, and March 31, 2027.

The foregoing summary of the terms of Amendment No. 2 to the Guarantee Agreement does not purport to be a complete description and is subject to, and qualified in its entirety by, the full text of the amendment, which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

Entry into Amendment No. 7 to the Credit and Guaranty Agreement

On August 12, 2026, the Company together with its Credit Parties, entered into the Seventh Amendment to the Credit and Guaranty Agreement with the Agent and the lenders party thereto. The Seventh Amendment amended the minimum interest coverage ratio for the periods ending June 30, 2026, September 30, 2026, December 31, 2026 and March 31, 2027.

The foregoing summary of the terms of Amendment No. 7 to the Credit and Guaranty Agreement does not purport to be a complete description and is subject to, and qualified in its entirety by, the full text of the amendment, which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Rule 10b5-1 Trading Plan

During the quarter ended June 30, 2026, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed or furnished herewith, as applicable, as a part of this report. Such Index is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1*	Seventh Amendment to Credit and Guaranty Agreement, dated August 12, 2026, by and among Lument Finance Trust, Inc., Five Oaks Acquisition Corp., Lument CMT Equity, LLC, Cortland Capital Markets Services LLC, as the administrative agent and collateral agent, and the lenders party thereto.
10.2*	Amendment No.2 to Guarantee Agreement, dated August 12, 2026, by and between Lument Finance Trust, Inc. and JPMorgan Chase Bank, National Association.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*	Filed herewith
**	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		LUMENT FINANCE TRUST, INC.
Dated: August 13, 2026	By	/s/ James P. Flynn
		James P. Flynn
		Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Dated: August 13, 2026	By	/s/ James A. Briggs
		James A. Briggs
		Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

SEVENTH AMENDMENT
TO CREDIT AND GUARANTY AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AND GUARANTY AGREEMENT (this "Amendment") is dated as of August 12, 2026, and is entered into by and among the lenders identified on the signature pages hereof (the "Lenders"), Cortland Capital Market Services LLC, as the administrative agent for the Lenders (in such capacity, together with its successors and permitted assigns in such capacity, the "Administrative Agent") and as the collateral agent for the Secured Parties (in such capacity, together with its successors and permitted assigns in such capacity, the "Collateral Agent" and, together with the Administrative Agent, the "Agents"), Lument Finance Trust, Inc. (formerly known as Hunt Companies Finance Trust, Inc.), a Maryland corporation, as the borrower (the "Borrower"), and Five Oaks Acquisition Corp., a Delaware corporation ("FOAC") and Lument CMT Equity, LLC (formerly known as Hunt CMT Equity, LLC), a Delaware limited liability company, as guarantors ("Lument CMT Equity" and together with FOAC, each a "Guarantor", and, collectively, the "Guarantors").

RECITALS

WHEREAS, reference is made to that certain Credit and Guaranty Agreement, dated January 15, 2019 (as amended by that certain First Amendment to Credit and Guaranty Agreement, dated as of February 13, 2019, by that certain Second Amendment to Credit and Guaranty Agreement, dated as of July 9, 2020, by that certain Third Amendment to Credit and Guaranty Agreement dated as of April 21, 2021, by that certain letter agreement related thereto dated May 5, 2021, by that certain Amended and Restated Third Amendment to Credit and Guaranty Agreement, dated as of August 23, 2021, the Fourth Amendment to Credit Agreement and Guaranty Agreement, dated as of February 22, 2022, the Fifth Amendment to Credit Agreement and Guaranty Agreement, dated as of February 17, 2026, and the Sixth Amendment to Credit Agreement and Guaranty Agreement, dated as of February 20, 2026, and as further amended, restated, supplemented, waived or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement" and, as amended by this Amendment, the "Credit Agreement"), by and among the Borrower, the Guarantors, the lenders from time to time party thereto and the Agents. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement; and

WHEREAS, pursuant to Section 11.2 of the Existing Credit Agreement, the Borrower, the Administrative Agent and the Lenders party hereto, which constitute the Required Lenders, wish to amend the Existing Credit Agreement on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION I. AMENDMENT TO EXISTING CREDIT AGREEMENT

Effective as of the Seventh Amendment Effective Date (as defined below), the Existing Credit Agreement is hereby amended as follows:

A. Section 6.12(e) of the Existing Credit Agreement is amended and restated in its entirety as follows:

(e) Minimum Interest Coverage Ratio. Permit the Interest Coverage Ratio on the last day of each Test Period set forth below to be less than the ratio set forth opposite such Test Period below:

Test Period Ending	Minimum Interest Coverage Ratio
On or prior to March 31, 2026	1.60:1.00
June 30, 2026	1.10:1.00
September 30, 2026	1.10:1.00
December 31, 2026	1.20:1.00
March 31, 2027	1.30:1.00
June 30, 2027, and the last day of each Test Period thereafter	1.60:1.00

SECTION II. CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective as of the date hereof upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "Seventh Amendment Effective Date"):

A. Executed Counterparts. The Agents and the Lenders (or their counsel) shall have received this Amendment, duly executed and delivered by each party hereto;

B. Fees and Expenses. The Borrower shall have paid to each Lender a non-refundable amendment fee in the amount of 0.25% of the outstanding principal amount of such Lender's Loans on the Seventh Amendment Effective Date and the Borrower shall have paid all Lender Group Expenses, including payment of any reasonable legal fees for counsel to Lenders and the Administrative Agent, incurred in connection with the transactions evidenced by this Amendment for which the Borrower received an invoice at least one (1) Business Day prior to the Seventh Amendment Effective Date;

C. Representations and Warranties. The representations and warranties of the Loan Parties contained in the Loan Documents shall be true and correct on the Seventh Amendment Effective Date in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty to the extent that such representation or warranty is qualified or modified by materiality) on and as of the Seventh Amendment Effective Date as though made on and as of such date (except to the extent that such representations and warranties solely relate to an earlier date); and

D. No Event of Default or Default. No Event of Default or Default shall have occurred and be continuing on the Seventh Amendment Effective Date, nor shall either result from the effectiveness of this Amendment on the Seventh Amendment Effective Date and the consummation of the other transactions contemplated by this Amendment.

SECTION III. REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants that as of the Seventh Amendment Effective Date:

A. such Loan Party has all requisite power and authority to execute and deliver this Amendment and the other Loan Documents to which it is a party. Such Loan Party has all governmental licenses, authorizations, consents, and approvals necessary to own and operate its Assets and to carry on its businesses as now conducted and as proposed to be conducted, other than licenses, authorizations, consents, and approvals that are not currently required or the failure to obtain which could not reasonably be expected to be materially adverse to any Lender. The execution, delivery, and performance of this Amendment and the other Loan Documents have been duly authorized by such Loan Party and all necessary limited liability company or corporate action, as applicable, in respect thereof has been taken, and the execution, delivery, and performance thereof do not require any other material consent or approval of any other Person that has not been obtained;

B. this Amendment and the other Loan Documents to which such Loan Party is a party, when executed and delivered by such Loan Party, will constitute the legal, valid, and binding obligations of such Loan Party, enforceable against such Loan Party in accordance with their terms except as the enforceability hereof or thereof may be affected by: (a) bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights generally, and (b) equitable principles of general applicability (whether considered in a proceeding in equity or law);

C. the execution, delivery, and performance by such Loan Party of this Amendment and the other Loan Documents to which such Loan Party is a party, do not and will not: (a) violate (i) in any material respect any provision of any federal (including the Exchange Act), state or local law, rule, or regulation (including Regulations T, U, and X of the Federal Reserve Board) binding on any Loan Party, (ii) in any material respect any order of any Governmental Authority, court, arbitration board or tribunal binding on any Loan Party or (iii) the Governing Documents of any Loan Party, (b) contravene any provisions of, result in a breach of, constitute (with the giving of notice or the lapse of time) a default under, or result in the creation of any Lien (other than Liens granted by the Loan Parties to the Collateral Agent, for the benefit of the Secured Parties, to secure the Obligations under the Credit Agreement) upon any of the Assets of any Loan Party pursuant to any Material Agreement, (c) require termination of any Material Agreement, or (d) constitute a tortious interference with any material Contractual Obligation of the Borrower or its Subsidiaries; and

D. no Default or Event of Default has occurred and is continuing, or would immediately result from giving effect to the transactions contemplated hereby on the Seventh Amendment Effective Date.

SECTION IV. MISCELLANEOUS

A. <u>Reference to and Effect on the Credit Agreement and the Other Loan Documents</u>.

(i) This Amendment shall constitute a Loan Document for purposes of each of the Credit Agreement, this Amendment and the other Loan Documents and on and after the Seventh Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent, the Collateral Agent, the Lenders or any other secured party under the Credit Agreement or any of the other Loan Documents.

B. <u>Reaffirmation</u>. The Borrower and each of the other Loan Parties as debtor, grantor, pledgor, guarantor, assignor, or in any other similar capacity in which such Loan Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party and (ii) except as expressly set forth in this Amendment, to the extent such Loan Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Loan Parties hereby consents to this Amendment and acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as otherwise expressly contemplated hereby, the execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Agents or Lenders, or constitute a waiver of any provision of any of the Loan Documents.

C. <u>Headings</u>. Section headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken in consideration in the interpretation hereof.

D. <u>GOVERNING LAW</u>. **THIS AMENDMENT SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF NEW YORK AND THE VALIDITY OF THIS AMENDMENT, AND THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.**

E. **<u>JURISDICTION AND VENUE</u>. TO THE EXTENT THEY MAY LEGALLY DO SO, THE PARTIES HERETO AGREE THAT ALL ACTIONS, SUITS, OR PROCEEDINGS ARISING BETWEEN ANY MEMBER OF THE LENDER GROUP OR THE BORROWER AND ITS SUBSIDIARIES IN CONNECTION WITH THIS AMENDMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE OR FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED HOWEVER THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT AT ANY AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE ANY AGENT ELECTS TO BRING SUCH ACTION TO THE EXTENT SUCH COURTS HAVE IN PERSONAM JURISDICTION OVER THE RELEVANT OBLIGOR OR IN REM JURISDICTION OVER SUCH COLLATERAL OR OTHER PROPERTY. THE BORROWER AND ITS SUBSIDIARIES AND EACH MEMBER OF THE LENDER GROUP, TO THE EXTENT THEY MAY LEGALLY DO SO, HEREBY WAIVE ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION AND STIPULATE THAT THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK SHALL HAVE IN PERSONAM JURISDICTION AND VENUE OVER SUCH PERSON FOR THE PURPOSE OF LITIGATING ANY SUCH DISPUTE, CONTROVERSY, OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AMENDMENT. TO THE EXTENT PERMITTED BY LAW, SERVICE OF PROCESS SUFFICIENT FOR PERSONAL JURISDICTION IN ANY ACTION AGAINST BORROWER OR ANY MEMBER OF THE LENDER GROUP MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ITS ADDRESS INDICATED ON EXHIBIT 11.3 ATTACHED TO CREDIT AGREEMENT.**

F. **<u>WAIVER OF TRIAL BY JURY</u>. THE BORROWER AND ITS SUBSIDIARIES AND EACH MEMBER OF THE LENDER GROUP, TO THE EXTENT THEY MAY LEGALLY DO SO, HEREBY EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AMENDMENT, OR IN ANY WAY CONNECTED WITH, OR RELATED TO, OR INCIDENTAL TO, THE DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AMENDMENT, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND IRRESPECTIVE OF WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE EXTENT THEY MAY LEGALLY DO SO, THE BORROWER AND ITS SUBSIDIARIES AND EACH MEMBER OF THE LENDER GROUP HEREBY AGREE THAT ANY SUCH CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE OTHER PARTY OR PARTIES HERETO TO WAIVER OF ITS OR THEIR RIGHT TO TRIAL BY JURY.**

G. <u>Severability</u>. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

H. <u>Counterparts; Electronic Execution</u>.

(i) This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment or any document or instrument delivered in connection herewith by facsimile transmission or electronic image scan transmission (e.g., PDF) shall be effective as delivery of a manually executed counterpart of this Amendment or such other document or instrument, as applicable.

(ii) The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

I. <u>No Novation</u>. By its execution of this Amendment, each of the parties hereto acknowledges and agrees that the terms of this Amendment do not constitute a novation, but, rather, a supplement of the terms of a pre-existing indebtedness and related agreement, as evidenced by the Credit Agreement.

[*Remainder of Page Intentionally Blank; Signature Pages Follow*]

MY WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

LUMENT FINANCE TRUST, INC., a Maryland corporation, as Borrower

By: /s/ James A. Briggs
Name: James A. Briggs
Title: Chief Financial Officer

FIVE OAKS ACQUISITION CORP., a Delaware corporation, as Guarantor

By: /s/ James A. Briggs
Name: James A. Briggs
Title: Chief Financial Officer

LUMENT CMT EQUITY, LLC, a Delaware limited liability company, as Guarantor

By: /s/ James A. Briggs
Name: James A. Briggs
Title: Chief Financial Officer

CORTLAND CAPITAL MARKET SERVICES LLC, as Administrative Agent and Collateral Agent

By: /s/ Pinju Chiu
Name: Pinju Chiu
Title: Counsel

<u>LENDERS</u>:

JPMORGAN GLOBAL BOND OPPORTUNITIES FUND

By: J.P. Morgan Investment Management Inc., its Investor Advisor

By: /s/ Kent Weber
Name: Kent Weber
Title: Managing Director

JPMORGAN INCOME FUND

By: J.P. Morgan Investment Management Inc., its Investor Advisor

By: /s/ Kent Weber
Name: Kent Weber
Title: Managing Director

JPMORGAN CORE PLUS BOND FUND

By: J.P. Morgan Investment Management Inc., its Investor Advisor

By: /s/ Kent Weber
Name: Kent Weber
Title: Managing Director

COMMINGLED PENSION TRUST FUND (CORE PLUS BOND) OF JPMORGAN CHASE BANK, N.A.

By: J.P. Morgan Investment Management Inc., its Investor Advisor

By: /s/ Kent Weber
Name: Kent Weber
Title: Managing Director

VARIABLE PORTFOLIO - PARTNERS CORE BOND FUND, A SERIES OF COLUMBIA FUNDS VARIABLE SERIES TRUST II

By: J.P. Morgan Investment Management Inc., its Investor Advisor

By: /s/ Kent Weber
Name: Kent Weber
Title: Managing Director

Exhibit 10.2

AMENDMENT NO. 2 TO GUARANTEE AGREEMENT

AMENDMENT NO. 2 TO GUARANTEE AGREEMENT, dated as of August 12, 2026 (this "Amendment"), between LUMENT FINANCE TRUST, INC., a Maryland corporation (the "Guarantor") and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, a national banking association (the "Buyer") and agreed and acknowledged by LCMT WAREHOUSE, LLC, a Delaware limited liability company (the "Seller") solely with respect to Sections 2 and 4. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Guarantee Agreement (as defined below).

RECITALS

WHEREAS, the Guarantor and Buyer are parties to that certain Guarantee Agreement, dated as of November 3, 2025 (as amended through and including that Amendment No. 1 to Guarantee Agreement, dated as of May 14, 2026, and as amended hereby and as further amended, restated, supplemented or otherwise modified and in effect from time to time, the "Guarantee");

WHEREAS, the Seller and Buyer are parties to that certain Master Repurchase Agreement, dated as of November 3, 2025 (as amended, restated, supplemented or otherwise modified from time to time, the "Repurchase Agreement"); and

WHEREAS, the Guarantor and Buyer have agreed, subject to the terms and conditions hereof, that the Guarantee shall be amended as set forth in this Amendment.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor, Seller and Buyer each agree as follows:

SECTION 1. Amendment to Guarantee. Section 9(d) of the Guarantee is hereby amended and restated in its entirety as follows:

(d) from and after the calendar quarter ending on June 30, 2026, Guarantor shall not permit the ratio of (x) the sum of Adjusted EBITDA for Guarantor and its Consolidated Subsidiaries to (y) its Interest Expense related to Indebtedness of the Guarantor and its Consolidated Subsidiaries, (in each case determined without duplication: (A) for the calendar quarter ending on June 30, 2026, on a trailing two (2) calendar quarter basis (i.e., from January 1, 2026); (B) for the calendar quarter ending on September 30, 2026, on a trailing three (3) calendar quarter basis (i.e., from January 1, 2026); and (C) for the calendar quarter ending on December 31, 2026 and every calendar quarter thereafter, on a trailing four (4) calendar quarter basis), to be less than the applicable ratio set forth below for the calendar quarter then ending:

(i) for the calendar quarter ending June 30, 2026, 1.15 to 1.00;

(ii) for the calendar quarter ending September 30, 2026, 1.00 to 1.00;

(iii) for the calendar quarter ending December 31, 2026, 1.10 to 1.00;

(iv) for the calendar quarter ending March 31, 2027, 1.20 to 1.00; and

(v) for each calendar quarter ending on or after June 30, 2027, 1.40 to 1.00.

SECTION 2. Conditions Precedent; Effective Date. This Amendment shall become effective upon a counterpart of this Amendment being duly executed and delivered by a duly authorized officer of each of the Guarantor, Seller and Buyer.

SECTION 3. Seller's and Guarantor's Representations and Warranties. (a) On and as of the date first above written, each of the Seller and Guarantor hereby represents and warrants to the Buyer that (i) such party has taken all necessary action to authorize the execution, delivery and performance of this Amendment and (ii) this Amendment has been duly executed and delivered by or on behalf of such party and constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms subject to applicable bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles.

(b) By executing this Amendment, each of Guarantor and Seller represents and warrants that, as of the date of this Amendment: (i) each of the representations and warranties made by Seller pursuant to the Repurchase Agreement and made by Guarantor pursuant to the Guarantee, respectively, are true and correct in all material respects as if made on and as of the date of this Amendment; (ii) Guarantor has performed in all material respects all agreements and satisfied all conditions that the Guarantee requires to be performed or satisfied by Guarantor and Seller has performed in all material respects all agreements and satisfied all conditions that the Repurchase Agreement requires to be performed or satisfied by Seller; (iii) no Event of Default or to the Knowledge of each of Seller and Guarantor, no Default, has occurred and is continuing; and (iv) neither of Guarantor nor Seller has any, and Guarantor and Seller each hereby waives, all defenses, rights of setoff, claims, counterclaims or causes of action of any kind or description against Buyer arising under or in respect of the Guarantee, the Repurchase Agreement or any other Transaction Document.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Guarantee shall continue to be, and shall remain, in full force and effect in accordance with its terms; provided, however, that upon the effective date hereof, all references in the Guarantee to the "Transaction Documents" shall be deemed to include, in any event, this Amendment. Each reference to "Guarantee" in any of the Transaction Documents shall be deemed to be a reference to the Guarantee, as amended hereby.

SECTION 5. Counterparts. This Amendment may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument, and the words "executed," "signed," "signature," and words of like import as used above and elsewhere in this Amendment or in any other certificate, agreement or document related to this transaction shall include, in addition to manually executed signatures, images of manually executed signatures transmitted by facsimile or other electronic format (including, without limitation, "pdf", "tif" or "jpg") and other electronic signatures (including, without limitation, any electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

SECTION 6. No Novation, Effect of Agreement. Guarantor, Seller and Buyer have entered into this Amendment solely to amend the terms of the Guarantee and to effect the waiver specified herein and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owing by Guarantor under or in connection with the Guarantee or any of the other documents executed in connection therewith to which the Guarantor or Seller is a party.

SECTION 7. Consent to Jurisdiction; Waiver of Jury Trial.

(a) Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Amendment or relating in any way to this Amendment or any Transaction under the Repurchase Agreement and (ii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consents to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified in the Guarantee. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 7 shall affect the right of the Buyer to serve legal process in any other manner permitted by law or affect the right of the Buyer to bring any action or proceeding against the Guarantor, Seller or their respective property in the courts of other jurisdictions.

(b) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 8. GOVERNING LAW. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States

By: /s/ Thomas N. Cassino
Name: Thomas N. Cassino
Title: Managing Director

[Signature Page to Amendment No. 2 to Guarantee Agreement]

GUARANTOR:

LUMENT FINANCE TRUST, INC., a Maryland corporation

By: /s/ James A. Briggs
Name: James A. Briggs
Title: Chief Financial Officer

SELLER:

LCMT WAREHOUSE, LLC, a Delaware limited liability company

By: /s/ James A. Briggs
Name: James A. Briggs
Title: Chief Financial Officer

EXHIBIT 31.1

Certification in the Form Provided by Rule 15d-14(a)
of the Securities Exchange Act of 1934

I, James P. Flynn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2026 of Lument Finance Trust, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ James P. Flynn

James P. Flynn
Chief Executive Officer

EXHIBIT 31.2

Certification in the Form Provided by Rule 15d-14(a)
of the Securities Exchange Act of 1934

I, James A. Briggs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2026 of Lument Finance Trust, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ James A. Briggs

James A. Briggs
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lument Finance Trust, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James P. Flynn, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2026

/s/ James P. Flynn
James P. Flynn
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lument Finance Trust, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James A. Briggs, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2026

/s/ James A. Briggs
James A. Briggs
Chief Financial Officer