

REFINITIV

# DELTA REPORT

## 10-Q

ACR - ACRES COMMERCIAL REALTY C  
10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	2149
CHANGES	683
DELETIONS	553
ADDITIONS	913

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

FORM 10-Q

(Mark One)

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


For the quarterly period ended ~~June~~ September 30, 2024

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 Number: 1-32733

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**ACRES COMMERCIAL REALTY CORP.**

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of  
incorporation or organization)

20-2287134

(I.R.S. Employer  
Identification No.)

390 RXR Plaza, Uniondale, New York 11556

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 516-535-0015

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	ACR	New York Stock Exchange
8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock	ACRPrC	New York Stock Exchange
7.875% Series D Cumulative Redeemable Preferred Stock	ACRPrD	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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The number of outstanding shares of the registrant's common stock on August 2, 2024 November 4, 2024 was 7,873,232 7,736,907 shares.

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
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PART I

ITEM 1. FINANCIAL STATEMENTS

ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share data)

ASSETS <sup>(1)</sup>

	December 31,	September	December 31,
June 30, 2024	2023	30, 2024	2023
(unaudited)		(unaudited)	

Cash and cash equivalents	\$ 89,622	\$ 83,449	\$ 70,074	\$ 83,449
Restricted cash	1,971	8,437	961	8,437
Accrued interest receivable	12,555	11,783	13,944	11,783
CRE loans	1,713,711	1,857,093	1,580,516	1,857,093
Less: allowance for credit losses	(34,990)	(28,757)	(34,699)	(28,757)
CRE loans, net	1,678,721	1,828,336	1,545,817	1,828,336
Principal paydowns receivable	2,500	—	24,445	—
Loan receivable - related party	10,850	10,975		
Loan receivable - due from Manager	10,750	10,975		
Investments in unconsolidated entities	21,630	1,548	22,036	1,548
Properties held for sale	63,341	62,605	200,194	62,605
Investments in real estate	182,403	157,621	89,379	157,621
Right of use assets	19,706	19,879	19,613	19,879
Intangible assets	7,395	7,882	7,152	7,882
Other assets	4,548	3,590	5,971	3,590
Total assets	\$ 2,095,242	\$ 2,196,105	\$ 2,010,336	\$ 2,196,105
<b>LIABILITIES (2)</b>				
Accounts payable and other liabilities	\$ 9,438	\$ 13,963	\$ 16,421	\$ 13,963
Management fee payable - related party	540	584	540	584
Accrued interest payable	7,881	8,459	4,867	8,459
Borrowings	1,582,031	1,676,200	1,489,229	1,676,200
Lease liabilities	44,592	44,276	44,739	44,276
Distributions payable	3,229	3,262	3,740	3,262
Accrued tax liability	16	121	735	121
Liabilities held for sale	3,123	3,025	3,173	3,025
Total liabilities	1,650,850	1,749,890	1,563,444	1,749,890
<b>EQUITY</b>				
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,800,000 and 4,800,000 shares issued and outstanding	5	5	5	5
Preferred stock, par value \$0.001: 6,800,000 shares authorized 7.875% Series D Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,507,857 and 4,607,857 shares issued and outstanding	5	5	5	5
Common stock, par value \$0.001: 41,666,666 shares authorized; 7,903,175 and 7,878,216 shares issued and outstanding (including 574,538 and 416,675 unvested restricted shares)	8	8		
Common stock, par value \$0.001: 41,666,666 shares authorized; 7,789,217 and 7,878,216 shares issued and outstanding (including 574,538 and 416,675 unvested restricted shares)	8	8		
Additional paid-in capital	1,165,176	1,169,970	1,164,285	1,169,970
Accumulated other comprehensive loss	(4,006)	(4,801)	(3,605)	(4,801)
Distributions in excess of earnings	(727,182)	(729,391)	(724,358)	(729,391)
Total stockholders' equity	434,006	435,796	436,340	435,796
Non-controlling interests	10,386	10,419	10,552	10,419
Total equity	444,392	446,215	446,892	446,215
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,095,242</b>	<b>\$ 2,196,105</b>	<b>\$ 2,010,336</b>	<b>\$ 2,196,105</b>

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS - (Continued)**  
(in thousands, except share and per share data)

	June 30, 2024 (unaudited)	December 31, 2023	September 30, 2024 (unaudited)	December 31, 2023
<b>(1) Assets of consolidated variable interest entities ("VIEs") included in total assets above:</b>				
Restricted cash	\$ 190	\$ 220	\$ 190	\$ 220
Accrued interest receivable	9,954	9,188	10,719	9,188
CRE loans, pledged as collateral <sup>(3)</sup>	1,353,610	1,466,463	1,237,235	1,466,463
Principal paydown receivable	2,500	—	15,450	—
Prepaid Expenses	30	—		
Other assets	155	71	159	71
Total assets of consolidated VIEs	<u>\$ 1,366,439</u>	<u>\$ 1,475,942</u>	<u>\$ 1,263,753</u>	<u>\$ 1,475,942</u>
<b>(2) Liabilities of consolidated VIEs included in total liabilities above:</b>				
Accounts payable and other liabilities	\$ 91	\$ 143	\$ 142	\$ 143
Accrued interest payable	2,821	3,828	2,477	3,828
Borrowings	1,093,953	1,204,569	990,520	1,204,569
Total liabilities of consolidated VIEs	<u>\$ 1,096,865</u>	<u>\$ 1,208,540</u>	<u>\$ 993,139</u>	<u>\$ 1,208,540</u>

(3) Excludes the allowance for credit losses.

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>REVENUES</b>								
Interest income:								
CRE loans	\$ 40,340	\$ 46,351	\$ 82,206	\$ 90,821	\$ 38,712	\$ 47,567	\$ 120,918	\$ 138,388
Other	726	797	1,471	1,656	589	641	2,060	2,297
Total interest income	41,066	47,148	83,677	92,477	39,301	48,208	122,978	140,685
Interest expense	30,311	32,442	61,562	63,817	28,842	33,555	90,404	97,372
Net interest income	10,755	14,706	22,115	28,660	10,459	14,653	32,574	43,313
Real estate income	10,143	8,879	17,514	15,950	11,857	9,316	29,371	25,266
Other revenue	38	37	75	70	37	37	112	107

Total revenues	20,936	23,622	39,704	44,680	22,353	24,006	62,057	68,686
<b>OPERATING EXPENSES</b>								
General and administrative	2,356	2,348	5,611	5,327	2,430	2,246	8,041	7,573
Real estate expenses	9,736	10,492	19,267	19,352	12,524	9,706	31,791	29,058
Management fees - related party	1,620	1,890	3,247	3,663	1,624	2,113	4,871	5,776
Equity compensation - related party	814	719	1,291	1,613	833	482	2,124	2,095
Corporate depreciation and amortization	16	23	24	46	16	22	40	68
Provision for credit losses, net	1,337	2,700	6,233	7,796				
(Reversal of) provision for credit losses, net	(291)	1,983	5,942	9,779				
Total operating expenses	15,879	18,172	35,673	37,797	17,136	16,552	52,809	54,349
	5,057	5,450	4,031	6,883	5,217	7,454	9,248	14,337
<b>OTHER INCOME (EXPENSE)</b>								
Equity in losses of unconsolidated subsidiaries	(41)	—	(41)	—	(168)	—	(209)	—
Gain on conversion of real estate	—	—	5,835	—	2,802	—	8,637	—
Gain on sale of real estate	—	—	—	745	—	—	—	745
Other income	1,435	242	1,550	352	285	113	1,835	465
Total other income	1,394	242	7,344	1,097	2,919	113	10,263	1,210
<b>INCOME BEFORE TAXES</b>	6,451	5,692	11,375	7,980	8,136	7,567	19,511	15,547
Income tax expense	(54)	(134)	(54)	(129)	(82)	—	(136)	(129)
<b>NET INCOME</b>	6,397	5,558	11,321	7,851	8,054	7,567	19,375	15,418
Net income allocated to preferred shares	(4,806)	(4,856)	(9,628)	(9,711)	(5,318)	(4,855)	(14,946)	(14,566)
Carrying value in excess of consideration paid for preferred shares	—	—	242	—	—	—	242	—
Net loss allocable to non-controlling interest, net of taxes	62	115	274	261	88	158	362	419
<b>NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES</b>	\$ 1,653	\$ 817	\$ 2,209	\$ (1,599)				
<b>NET INCOME (LOSS) PER COMMON SHARE - BASIC</b>	\$ 0.22	\$ 0.10	\$ 0.29	\$ (0.19)				
<b>NET INCOME (LOSS) PER COMMON SHARE - DILUTED</b>	\$ 0.21	\$ 0.10	\$ 0.28	\$ (0.19)				
<b>NET INCOME ALLOCABLE TO COMMON SHARES</b>	\$ 2,824	\$ 2,870	\$ 5,033	\$ 1,271				
<b>NET INCOME PER COMMON SHARE - BASIC</b>	\$ 0.37	\$ 0.34	\$ 0.65	\$ 0.15				
<b>NET INCOME PER COMMON SHARE - DILUTED</b>	\$ 0.36	\$ 0.33	\$ 0.63	\$ 0.15				
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC</b>	7,664,077	8,451,973	7,709,104	8,476,059	7,669,051	8,456,884	7,695,656	8,469,597
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED</b>	7,841,753	8,534,558	7,937,784	8,476,059	7,945,622	8,592,556	7,940,299	8,609,679

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)  
(unaudited)

	For the Three Months		For the Six Months		For the Three Months		For the Nine Months	
	Ended June 30,		Ended June 30,		Ended September 30,		Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net income	\$ 6,397	\$ 5,558	\$ 11,321	\$ 7,851	\$ 8,054	\$ 7,567	\$ 19,375	\$ 15,418
Other comprehensive income:								
Reclassification adjustments associated with net unrealized losses from interest rate swaps included in net income	398	397	795	790				
Reclassification adjustments associated with net unrealized losses from interest rate swaps included in interest expense	401	402	1,196	1,192				
Total other comprehensive income	398	397	795	790	401	402	1,196	1,192
Comprehensive income before allocation to preferred shares	6,795	5,955	12,116	8,641	8,455	7,969	20,571	16,610
Net loss allocated to non-controlling interests shares	62	115	274	261	88	158	362	419
Carrying value in excess of consideration paid for preferred shares	—	—	242	—	—	—	242	—
Net income allocated to preferred shares	(4,806)	(4,856)	(9,628)	(9,711)	(5,318)	(4,855)	(14,946)	(14,566)
Comprehensive income (loss) allocable to common shares	\$ 2,051	\$ 1,214	\$ 3,004	\$ (809)				
Comprehensive income allocable to common shares	\$ 3,225	\$ 3,272	\$ 6,229	\$ 2,463				

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(in thousands, except share data)  
(unaudited)

	Common Stock										Common Stock					
			Series C		Series D	Additional	Accumulated	Retained							Accumu	
			Preferred	Preferred	Paid-In	Other	(Distributions	Total	Non-				Series C	Series D	Additional	Othe
						Comprehensive	in Excess of	Stockholders'	Controlling				Preferred	Preferred	Paid-In	Compreh
	Shares	Amount	Stock	Stock	Capital	Loss	Earnings)	Equity	Interest	Total	Equity	Shares	Amount	Stock	Stock	Capital
Balance, December 31, 2023	7,878,216	\$ 8	\$ 5	\$ 5	\$ 1,169,970	\$ (4,801)	\$ (729,391)	\$ 435,796	\$ 10,419	\$ 446,215	7,878,216	\$ 8	\$ 5	\$ 5	\$ 1,169,970	\$
Purchase and retirement of common stock	(194,827)	—	—	—	(2,068)	—	—	(2,068)	—	(2,068)	(194,827)	—	—	—	(2,068)	
Stock-based compensation	1,911	—	—	—	19	—	—	19	—	19	1,911	—	—	—	19	

Amortization of stock-based compensation	—	—	—	—	477	—	—	477	—	477	—	—	—	—	477	
Preferred stock redemption	—	—	—	—	(2,399)	—	242	(2,157)	—	(2,157)	—	—	—	—	(2,399)	
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	180	180	—	—	—	—	—	
Net income	—	—	—	—	—	—	5,136	5,136	(212)	4,924	—	—	—	—	—	
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(4,822)	(4,822)	—	(4,822)	—	—	—	—	—	
Amortization of terminated derivatives	—	—	—	—	—	397	—	397	—	397	—	—	—	—	—	
<b>Balance, March 31, 2024</b>	<b>7,685,300</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,165,999</b>	<b>\$ (4,404)</b>	<b>\$ (728,835)</b>	<b>\$ 432,778</b>	<b>\$ 10,387</b>	<b>\$ 443,165</b>	<b>7,685,300</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,165,999</b>	<b>\$</b>
Purchase and retirement of common stock	(115,458)	—	—	—	(1,555)	—	—	(1,555)	—	(1,555)	(115,458)	—	—	—	(1,555)	
Stock-based compensation	333,333	—	—	—	—	—	—	—	—	—	333,333	—	—	—	—	
Offering costs	—	—	—	—	(82)	—	—	(82)	—	(82)	—	—	—	—	(82)	
Amortization of stock-based compensation	—	—	—	—	814	—	—	814	—	814	—	—	—	—	814	
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	61	61	—	—	—	—	—	
Net income	—	—	—	—	—	—	6,459	6,459	(62)	6,397	—	—	—	—	—	
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(4,806)	(4,806)	—	(4,806)	—	—	—	—	—	
Amortization of terminated derivatives	—	—	—	—	—	398	—	398	—	398	—	—	—	—	—	
<b>Balance, June 30, 2024</b>	<b>7,903,175</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,165,176</b>	<b>\$ (4,006)</b>	<b>\$ (727,182)</b>	<b>\$ 434,006</b>	<b>\$ 10,386</b>	<b>\$ 444,392</b>	<b>7,903,175</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,165,176</b>	<b>\$</b>



Purchase and retirement of common stock	(113,958 )	—	—	—	(1,724 )	—	—	(1,724 )	—	(1,724 )
Amortization of stock-based compensation	—	—	—	—	833	—	—	833	—	833
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	254	254
Net income	—	—	—	—	—	—	8,142	8,142	(88 )	8,054
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(5,318 )	(5,318 )	—	(5,318 )
Amortization of terminated derivatives	—	—	—	—	—	401	—	401	—	401
<b>Balance, September 30, 2024</b>	<b>7,789,217</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,164,285</b>	<b>\$ (3,605)</b>	<b>\$ (724,358)</b>	<b>\$ 436,340</b>	<b>\$ 10,552</b>	<b>\$ 446,892</b>

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - (Continued)**  
(in thousands, except share data)  
(unaudited)

	Common Stock										Common Stock					
			Series C		Series D	Additional	Accumulated		Retained	Total			Series C		Series D	Additional
			Preferred		Preferred	Paid-In	Other	(Distributions	Earnings				Preferred		Preferred	Paid-In
	Shares	Amount	Stock	Stock	Stock	Capital	Comprehensive	in Excess of	Total		Non-Controlling	Interest	Stock	Stock	Stock	Capital
Balance, December 31, 2022	8,708,100	\$ 9	\$ 5	\$ 5	\$ 5	\$ 1,174,202	\$ (6,394)	\$ (732,359)	\$ 435,468	\$ 5,846	\$ 441,314		8,708,100	\$ 9	\$ 5	\$ 5
Purchase and retirement of common stock	(79,744)	—	—	—	—	(756)	—	—	(756)	—	(756)		(79,744)	—	—	—

Stock-based compensation	17,780	—	—	—	170	—	—	170	—	170	17,780	—	—	—	170
Amortization of stock-based compensation	—	—	—	—	894	—	—	894	—	894	—	—	—	—	894
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	2,332	2,332	—	—	—	—	—
Net income	—	—	—	—	—	—	2,439	2,439	(146)	2,293	—	—	—	—	—
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(4,855)	(4,855)	—	(4,855)	—	—	—	—	—
Amortization of terminated derivatives	—	—	—	—	—	393	—	393	—	393	—	—	—	—	—
<b>Balance, March 31, 2023</b>	<u>8,646,136</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 1,174,510</u>	<u>\$ (6,001)</u>	<u>\$ (734,775)</u>	<u>\$ 433,753</u>	<u>\$ 8,032</u>	<u>\$ 441,785</u>	<u>8,646,136</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 1,174,510</u>
Purchase and retirement of common stock	(135,416)	—	—	—	(1,200)	—	—	(1,200)	—	(1,200)	(135,416)	—	—	—	(1,200)
Stock-based compensation	6,875	—	—	—	65	—	—	65	—	65	6,875	—	—	—	65
Amortization of stock-based compensation	—	—	—	—	719	—	—	719	—	719	—	—	—	—	719
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	1,533	1,533	—	—	—	—	—
Net income	—	—	—	—	—	—	5,673	5,673	(115)	5,558	—	—	—	—	—
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(4,856)	(4,856)	—	(4,856)	—	—	—	—	—
Amortization of terminated derivatives	—	—	—	—	—	397	—	397	—	397	—	—	—	—	—
<b>Balance, June 30, 2023</b>	<u>8,517,595</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 1,174,094</u>	<u>\$ (5,604)</u>	<u>\$ (733,958)</u>	<u>\$ 434,551</u>	<u>\$ 9,450</u>	<u>\$ 444,001</u>	<u>8,517,595</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 1,174,094</u>
Purchase and retirement of common stock	(83,297)	(1)	—	—	(728)	—	—	(729)	—	(729)					

Stock-based compensation	14,226	—	—	—	127	—	—	127	—	127
Amortization of stock-based compensation	—	—	—	—	482	—	—	482	—	482
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	1,232	1,232
Net income	—	—	—	—	—	—	7,725	7,725	(158)	7,567
Distributions and accrual of cumulative preferred stock dividends	—	—	—	—	—	—	(4,855)	(4,855)	—	(4,855)
Amortization of terminated derivatives	—	—	—	—	—	402	—	402	—	402
<b>Balance, September 30, 2023</b>	<b>8,448,524</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 1,173,975</b>	<b>\$ (5,202)</b>	<b>\$ (731,088)</b>	<b>\$ 437,703</b>	<b>\$ 10,524</b>	<b>\$ 448,227</b>

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 11,321	\$ 7,851	\$ 19,375	\$ 15,418
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses, net	6,233	7,796	5,942	9,779
Depreciation, amortization and accretion	3,375	2,683	5,200	3,996
Amortization of stock-based compensation	1,291	1,613	2,124	2,095
Gain on conversion of real estate	(5,835)	—	(8,637)	—
Gain on sale of real estate	—	(745)	—	(745)
Equity in losses of unconsolidated subsidiaries	41	—	209	—
Changes in operating assets and liabilities	(6,215)	5,270	(5,585)	5,681
Net cash provided by operating activities	10,211	24,468	18,628	36,224
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Principal fundings of CRE loans	(20,556)	(66,885)	(27,958)	(75,002)

Principal payments received on loans	149,511	141,430		
Principal payments received on CRE loans	245,684	194,856		
Investments in real estate	(26,418)	(15,352)	(42,755)	(27,434)
Investment in unconsolidated entities	(574)	—		
Purchases of furniture and fixtures	(8)	—		
Proceeds from sale of real estate	—	14,309	—	14,309
Principal payments received on loan - related party	125	150		
Principal payments received on loan - due from Manager	225	225		
Net cash provided by investing activities	102,662	73,652	174,614	106,954
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from issuance of common stock	(82)	—	(82)	—
Repurchase of common stock	(3,623)	(1,956)	(5,347)	(2,684)
Repurchase of preferred stock	(2,157)	—	(2,157)	—
Proceeds from borrowings:				
Senior secured financing facility	—	13,500		
Warehouse financing facilities and repurchase agreements	19,168	11,888	19,177	11,970
Mortgages payable	21,499	144	31,071	144
Construction loans	—	6,106		
Payments on borrowings:				
Securitizations	(112,215)	(851)	(216,447)	(32,091)
Senior secured financing facility	(1,397)	(40,554)	(1,397)	(40,554)
Warehouse financing facilities and repurchase agreements	(24,938)	(89,606)	(24,938)	(89,704)
Payment of debt issuance costs	—	(3,787)	—	(4,891)
Proceeds received from non-controlling interests	241	3,865	495	5,097
Distributions paid on preferred stock	(9,662)	(9,711)	(14,468)	(14,566)
Net cash used in financing activities	(113,166)	(130,568)	(214,093)	(147,673)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(293)</b>	<b>(32,448)</b>	<b>(20,851)</b>	<b>(4,495)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD</b>	<b>91,886</b>	<b>104,811</b>	<b>91,886</b>	<b>104,811</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</b>	<b>\$ 91,593</b>	<b>\$ 72,363</b>	<b>\$ 71,035</b>	<b>\$ 100,316</b>

The accompanying notes are an integral part of these statements

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June September 30, 2024**  
**(unaudited)**

**NOTE 1 - ORGANIZATION**

ACRES Commercial Realty Corp., a Maryland corporation, along with its subsidiaries (collectively, the "Company"), is a real estate investment trust ("REIT") that is primarily focused on originating, holding and managing commercial real estate ("CRE") mortgage loans and equity investments in commercial real estate properties through direct ownership and joint ventures. The Company's manager is ACRES Capital, LLC (the "Manager"), a subsidiary of ACRES Capital Corp. (collectively, "ACRES"), a private commercial

real estate lender exclusively dedicated to nationwide middle market CRE lending with a focus on multifamily, student housing, hospitality, office and industrial property in top United States ("U.S.") markets.

The Company has qualified, and expects to qualify in the current fiscal year, as a REIT.

The Company conducts its operations through the use of subsidiaries that it consolidates into its financial statements. The Company's core assets are consolidated through its investment in ACRES Realty Funding, Inc. ("ACRES RF"), a wholly-owned subsidiary that holds CRE loans, investments in commercial real estate properties and investments in CRE securitizations, which are consolidated as variable interest entities ("VIEs") as discussed in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. ("GAAP"). In the opinion of management, the accompanying consolidated financial statements reflect all normal and recurring adjustments necessary to fairly present the Company's financial position, results of operations and cash flows.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, majority-owned or controlled subsidiaries and VIEs for which the Company is considered the primary beneficiary. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and within the period of financial results. Actual results could differ from those estimates. Estimates affecting the accompanying consolidated financial statements include, but are not limited to, the net realizable and fair values of the Company's investments and derivatives, the estimated useful lives used to calculate depreciation, the expected lives over which to amortize premiums and accrete discounts, reversals of or provisions for expected credit losses and the disclosure of contingent liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. At June 30, 2024 September 30, 2024 and December 31, 2023, \$ \$686.7 6.8 million and \$81.1 million, respectively, of the reported cash balances exceeded the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation deposit insurance limits of \$250,000 per respective depository or brokerage institution. However, all of the Company's cash deposits are held at multiple, established financial institutions, in multiple accounts associated with its parent and respective consolidated subsidiaries, to minimize credit risk exposure. The Company has not experienced, and does not expect, any losses on its cash and cash equivalents.

Restricted cash includes required account balance minimums primarily for the Company's CRE debt securitizations as well as cash held in the syndicated corporate loan collateralized debt obligations ("CDOs").

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
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The following table provides a reconciliation of cash, cash equivalents and restricted cash on the consolidated balance sheets to the total amount shown on the consolidated statements of cash flows (in thousands):

Cash and cash equivalents

June 30,		September 30,	
2024	2023	2024	2023
\$ 89,622	\$ 57,112	\$ 70,074	\$ 64,440

Restricted cash	1,971	15,251	961	35,876
Total cash, cash equivalents and restricted cash shown on the Company's consolidated statements of cash flows	\$ 91,593	\$ 72,363	\$ 71,035	\$ 100,316

### Investments in Real Estate

The Company depreciates investments in real estate and amortizes related intangible assets over the estimated useful lives of the assets as follows:

Category	Term
Building	35 to 40 years
Building improvements	8 to 35 years
Site improvements	10 years
Tenant improvements	Shorter of lease term or expected useful life
Furniture, fixtures and equipment	3 to 12 years
Right of use assets	7 to 94 years
Intangible assets	90 days to 18 years
Lease liabilities	7 to 94 years

### Income Taxes

The Company recorded a full valuation allowance against its net deferred tax assets (tax effected expense of \$21.5 21.4 million) at June 30, 2024 September 30, 2024, as the Company believes it is more likely than not that the deferred tax assets will not be realized. This assessment was based on the Company's cumulative historical losses and uncertainties as to the amount of taxable income that would be generated in future years by the Company's taxable REIT subsidiaries.

### Earnings per Share

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income (loss) allocable to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

### Recent Accounting Standards

#### Accounting Standards to be Adopted in Future Periods

In November 2023, the Financial Accounting Standards Board ("FASB") issued guidance to improve reportable segment disclosure requirements, enhance interim disclosure requirements and provide new segment disclosure requirements for entities with a single reportable segment. The guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods with fiscal years beginning after December 15, 2024. The guidance is applied retrospectively to all periods presented in the financial statements, unless it is impracticable. The Company is in the process of evaluating the impact of this guidance, however, the Company does not expect a material impact to its consolidated financial statements.

In December 2023, the FASB issued guidance to improve the transparency of income tax disclosures. This guidance is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. The Company is in the process of evaluating the impact of this guidance, however, the Company does not expect a material impact to its consolidated financial statements.

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
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### NOTE 3 - VARIABLE INTEREST ENTITIES

The Company has evaluated its loans, investments in unconsolidated entities, liabilities to subsidiary trusts issuing preferred securities (consisting of unsecured junior subordinated notes), securitizations, guarantees and other financial contracts in order to determine if they are variable interests in VIEs. The Company regularly monitors these legal interests and contracts and, to the extent it has determined that it has a variable interest, analyzes the related entity for potential consolidation.

#### **Consolidated VIEs (the Company is the primary beneficiary)**

Based on management's analysis, the Company was the primary beneficiary of two VIEs at both **June 30, 2024** **September 30, 2024** and December 31, 2023 (collectively, the "Consolidated VIEs").

The Consolidated VIEs are CRE securitizations that were formed on behalf of the Company to invest in CRE whole loans that were financed by the issuance of debt securities. By financing these assets with long-term borrowings through the issuance of debt securities, the Company seeks to generate attractive risk-adjusted equity returns and to match the term of its assets and liabilities. The primary beneficiary determination for each of these VIEs was made at each VIE's inception and is continually assessed. The Consolidated VIEs are accounted for as secured borrowings in accordance with GAAP.

The Company has exposure to losses on its securitizations to the extent of its investments in the subordinated debt and preferred equity of each securitization. The Company is entitled to receive payments of principal and interest on the debt securities it holds and, to the extent revenues exceed debt service requirements and other expenses of the securitizations, distributions with respect to its preferred equity interests. As a result of consolidation, the debt and equity interests the Company holds in these securitizations have been eliminated; and the Company's consolidated balance sheets reflect the assets held, debt issued by the securitizations to third parties and any accrued payables to third parties. The Company's operating results and cash flows include the gross amounts related to the securitizations' assets and liabilities as opposed to the Company's net economic interests in the securitizations. Assets and liabilities related to the securitizations are disclosed, in the aggregate, on the Company's consolidated balance sheets. For a discussion of the debt issued through the securitizations, see Note 10.

Creditors of the Company's Consolidated VIEs have no recourse to the general credit of the Company, nor to each other. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, the Company did not provide any financial support to either of its Consolidated VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to either of its Consolidated VIEs.

#### **Charles Street-ACRES FSU Student Venture, LLC**

In April 2022, the Company contributed an initial investment of \$13.0 million for a 72.1% interest in Charles Street-ACRES FSU Student Venture, LLC (the "FSU Student Venture"). The FSU Student Venture, a joint venture between the Company and two unrelated third parties, was formed for the purpose of developing a student housing project. The FSU Student Venture was determined not to be a VIE as there was sufficient equity at risk, it does not have disproportionate voting rights and its members all have the following characteristics: (1) the power to direct activities (2) the obligation to absorb losses and (3) the right to receive residual returns. However, the Company consolidated the FSU Student Venture due to its 72.1% interest that provides the Company with control over all major decisions of the joint venture. The portion of the joint venture that the Company does not own is presented as non-controlling interest at and for the periods presented in the Company's consolidated financial statements.

#### **Unconsolidated VIEs (the Company is not the primary beneficiary, but has a variable interest)**

Based on management's analysis, the Company is not the primary beneficiary of the VIEs discussed below since it does not have both (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. Accordingly, the following VIEs are not consolidated in the Company's financial statements at **June 30, 2024** **September 30, 2024** and **December 31, 2023**. The Company continuously reassesses whether it is deemed to be the primary beneficiary of its unconsolidated VIEs. The Company's maximum exposure to risk for each of these unconsolidated VIEs is set forth in the "Maximum Exposure to Loss" column in the table below.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
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#### **Unsecured Junior Subordinated Debentures**

The Company has a 100% interest in the common shares of each of Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"), respectively, with a value of \$1.5 million in the aggregate, or 3.0% of each trust, at **June 30, 2024** **September 30, 2024** and **December 31, 2023**. RCT I and RCT II were formed for the purposes of providing debt financing to the Company. The Company completed a qualitative analysis to determine whether it is the primary beneficiary of each of the trusts and determined that it was not the primary beneficiary of either trust because it does not have the power to direct the activities most significant to the trusts, which include the collection of principal and interest through servicing rights. Accordingly, neither trust is consolidated into the Company's consolidated financial statements.

The Company records its investments in RCT I and RCT II's common shares of \$774,000 each as investments in unconsolidated entities using the cost method, recording dividend income when declared by RCT I and RCT II. The trusts each hold subordinated debentures for which the Company is the obligor in the amount of \$25.8 million for each of RCT I and RCT II. The debentures were funded by the issuance of trust preferred securities of RCT I and RCT II.

#### 65 E. Wacker Joint Venture, LLC

In March 2024, the Company contributed its interest in an East North Central office property to form a joint venture (the "Venture" "Wacker JV") with an unrelated third-party ("Wacker Managing Member") for the purpose of converting the office property to multifamily units. At the date of contribution, the office property had a fair value of \$20.3 million. The Wacker Managing Member is responsible for the day-to-day operations of the Venture, Wacker JV, but the Company and the Wacker Managing Member must each approve all major decisions related to the operations, financing or disposition of the Venture Wacker JV before any major decision can be taken. The Company accounts for its investment in the Venture Wacker JV as an equity method investment within investments in unconsolidated entities in its consolidated financial statements.

#### 7720 McCallum JV, LLC

In September 2024, the Company contributed \$574,000 as well as its net interest in a multifamily unit property located in the Southwest region to form a joint venture (the "McCallum JV") with an unrelated third-party ("McCallum Managing Member"). The following table shows McCallum Managing Member is responsible for the classification, carrying value and maximum exposure day-to-day operations of the McCallum JV. The Company determined McCallum JV to loss with respect be a VIE for which it was not the primary beneficiary because it did not have the power to direct the activities most significant to the Company's McCallum JV, as the Company does not have unilateral kick-out rights or substantive participating rights. The Company accounts for its investment in the McCallum JV as an equity method investment within investments in unconsolidated VIEs at June 30, 2024 (in thousands): entities in its consolidated financial statements.

Upon formation of the McCallum JV, the McCallum JV took ownership of the multifamily property subject to a related CRE loan payable to the Company which was novated to allow the McCallum JV to replace the original obligor who was experiencing financial difficulty. The \$

	Unsecured Junior Subordinated Debentures	65 E Wacker Joint Venture, LLC	Total	Maximum Exposure to Loss
<b>ASSETS</b>				
Accrued interest receivable	\$ 31	\$ —	\$ 31	\$ —
Investments in unconsolidated entities	1,548	20,082	21,630	21,630
Total assets	1,579	20,082	21,661	
<b>LIABILITIES</b>				
Accrued interest payable	417	—	417	N/A
Borrowings	51,548	—	51,548	N/A
Total liabilities	51,965	—	51,965	
Net (liability) asset	\$ (50,386)	\$ 20,082	\$ (30,304)	

\$1.5 million CRE loan has an initial maturity date of

At June 30, 2024, there September 5, 2027 and bears interest at a rate of one-month Term SOFR and a spread of 2.75%. There were no explicit arrangements or implicit variable interests that could require other changes to the Company to provide financial support to any terms of its unconsolidated VIEs. the loan. McCallum JV also entered into a \$1.5 million mezzanine loan commitment with the Company. No amounts were funded under this commitment at September 30, 2024.

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The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company's unconsolidated VIEs at September 30, 2024

(in thousands):

	Unsecured Junior Subordinated Debentures	65 E Wacker Joint Venture, LLC	7720 McCallum JV, LLC	Total	Maximum Exposure to Loss
<b>ASSETS</b>					
Accrued interest receivable	\$ 13	\$ —	\$ —	\$ 13	\$ —
Investments in unconsolidated entities	1,548	19,942	546	22,036	22,036
Total assets	1,561	19,942	546	22,049	
<b>LIABILITIES</b>					
Accrued interest payable	420	—	—	420	N/A
Borrowings	51,548	—	—	51,548	N/A
Total liabilities	51,968	—	—	51,968	
Net (liability) asset	\$ (50,407)	\$ 19,942	\$ 546	\$ (29,919)	

**NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION**

The following table summarizes the Company's supplemental disclosure of cash flow information (in thousands):

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Supplemental cash flows:</b>				
Interest expense paid in cash	\$ 58,131	\$ 60,035	\$ 91,084	\$ 94,433
Income taxes paid in cash	83	101	83	101
<b>Non-cash investing activities include the following:</b>				
Transfer of whole loan to investment in real estate	\$ 20,123	\$ 20,900		
Transfer of whole loans to investments in real estate	\$ 43,828	\$ 20,900		
Properties held for sale assets related to the receipt of foreclosure or deed-in-lieu of foreclosure	(14,398)	(20,900)		
Transfer of investment in real estate to investment in unconsolidated entities	(20,123)	(20,900)	(20,123)	—
Investments in real estate related to the receipt of foreclosure	(9,307)	—		
<b>Non-cash financing activities include the following:</b>				
Incentive compensation paid in common stock	\$ 19	\$ 234	\$ 19	\$ 362
Distributions on preferred stock accrued but not paid	3,229	3,262	3,740	3,262
Capitalized amortization of deferred debt issuance costs	614	—	717	—
Capitalized interest	964	—	1,722	766

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**September 30, 2024**  
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## NOTE 5 - LOANS

The following is a summary of the Company's CRE loans held for investment by asset type (dollars in thousands, except amounts in footnotes):

Description	Quantity	Principal	Unamortized (Discount)		Allowance for Credit Losses	Carrying Value	Contractual	
			Premium, net <sup>(1)</sup>	Amortized Cost			Interest Rates <sup>(2)</sup>	Maturity Dates <sup>(3)(4)</sup>
At June 30, 2024:								
							1M BR plus	
Whole loans <sup>(5)(6)(7)</sup>	63	\$ 1,712,987	\$ (3,976)	\$ 1,709,011	\$ (30,290)	\$ 1,678,721	2.50% to 1M BR plus 8.61%	July 2024 to July 2027
Mezzanine loan <sup>(5)</sup>	1	4,700	—	4,700	(4,700)	—	10.00%	June 2028
Total		<u>\$ 1,717,687</u>	<u>\$ (3,976)</u>	<u>\$ 1,713,711</u>	<u>\$ (34,990)</u>	<u>\$ 1,678,721</u>		
At December 31, 2023:								
							1M BR plus	
Whole loans <sup>(5)(6)</sup>	69	\$ 1,858,265	\$ (5,872)	\$ 1,852,393	\$ (24,057)	\$ 1,828,336	2.50% to 1M BR plus 8.61%	January 2024 to January 2027
Mezzanine loan <sup>(5)</sup>	1	4,700	—	4,700	(4,700)	—	10.00%	June 2028
Total		<u>\$ 1,862,965</u>	<u>\$ (5,872)</u>	<u>\$ 1,857,093</u>	<u>\$ (28,757)</u>	<u>\$ 1,828,336</u>		

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### ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

June 30, 2024  
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Description	Quantity	Principal	Unamortized (Discount)		Allowance for Credit Losses	Carrying Value	Contractual Interest Rates <sup>(2)</sup>	Maturity Dates <sup>(3)(4)</sup>
			Premium, net <sup>(1)</sup>	Amortized Cost				
At September 30, 2024:								
Whole loans <sup>(5)(6)(7)</sup>	55	\$ 1,578,565	\$ (2,749)	\$ 1,575,816	\$ (29,999)	\$ 1,545,817	BR + 2.50% to BR + 8.61%	October 2024 to September 2027
Mezzanine loan <sup>(5)</sup>	1	4,700	—	4,700	(4,700)	—	10.00%	June 2028
Total		<u>\$ 1,583,265</u>	<u>\$ (2,749)</u>	<u>\$ 1,580,516</u>	<u>\$ (34,699)</u>	<u>\$ 1,545,817</u>		
At December 31, 2023:								
Whole loans <sup>(5)(6)</sup>	69	\$ 1,858,265	\$ (5,872)	\$ 1,852,393	\$ (24,057)	\$ 1,828,336	BR + 2.50% to BR + 8.61%	January 2024 to January 2027
Mezzanine loan <sup>(5)</sup>	1	4,700	—	4,700	(4,700)	—	10.00%	June 2028
Total		<u>\$ 1,862,965</u>	<u>\$ (5,872)</u>	<u>\$ 1,857,093</u>	<u>\$ (28,757)</u>	<u>\$ 1,828,336</u>		

- Amounts include unamortized loan origination fees of \$3.1 million and \$5.8 million and deferred amendment fees of \$202,000 and \$110,000 at June 30, 2024, September 30, 2024 and December 31, 2023, respectively.
- Benchmark rates ("BR") comprise one-month Term Secured Overnight Financing Rate ("Term SOFR"). Weighted-average one-month benchmark rates were 5.38% and 5.39% at June 30, 2024, September 30, 2024 and December 31, 2023, respectively. Additionally, weighted-average benchmark rate floors were 0.75% and 0.70% at June 30, 2024, September 30, 2024 and December 31, 2023, respectively.
- Maturity dates exclude contractual extension options, subject to the satisfaction of certain terms that may be available to the borrowers.
- Maturity dates exclude one and three whole loans, with amortized costs of \$14.4 million and \$41.2 million, in maturity default at June 30, 2024, September 30, 2024 and December 31, 2023, respectively.

- (5) Substantially all loans are pledged as collateral under various borrowings at **June 30, 2024** **September 30, 2024** and December 31, 2023.
- (6) CRE whole loans had **\$89.1** **78.4** million and \$109.4 million in unfunded loan commitments at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively. These unfunded loan commitments are advanced as the borrowers formally request additional funding and meet certain benchmarks, as permitted under the loan agreements, and any necessary approvals have been obtained.
- (7) Includes a mezzanine loan of **\$2.1** **2.9** million, at amortized cost, that has a fixed interest rate of 15.0% at **June 30, 2024** **September 30, 2024**.

The following is a summary of the Company's CRE loans held for investment by property type and geographic location (dollars in thousands, except amounts in footnotes):

Property Type	September 30, 2024		December 31, 2023	
	Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
Multifamily	\$ 1,225,778	79.4%	\$ 1,453,681	79.6%
Office	216,964	14.0%	247,410	13.5%
Hotel	66,851	4.3%	70,857	3.9%
Self-Storage	36,224	2.3%	48,363	2.6%
Retail	—	—	8,025	0.4%
Total	\$ 1,545,817	100%	\$ 1,828,336	100%

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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**June September 30, 2024**  
(unaudited)

The following is a summary of the Company's CRE loans held for investment by property type and geographic location (dollars in thousands, except amounts in footnotes):

Property Type	June 30, 2024		December 31, 2023	
	Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
Multifamily	\$ 1,333,273	79.4%	\$ 1,453,681	79.6%
Office <sup>(1)(2)</sup>	229,276	13.7%	247,410	13.5%
Hotel	67,541	4.0%	70,857	3.9%
Self-Storage	48,631	2.9%	48,363	2.6%
Retail <sup>(3)</sup>	—	0.0%	8,025	0.4%
Total	\$ 1,678,721	100%	\$ 1,828,336	100%

(1) Includes one and two whole loans in maturity default with carrying values of \$14.4 million and \$33.1 million at June 30, 2024 and December 31, 2023, respectively.

(2) Includes one mezzanine loan with a par value of \$4.7 million that is fully reserved at both June 30, 2024 and December 31, 2023.

(3) Comprises one whole loan in maturity default at December 31, 2023.

Geographic Location	June 30, 2024		December 31, 2023	
	Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
Southwest <sup>(1)</sup>	\$ 464,051	27.6%	\$ 484,902	26.6%
Southeast	315,470	18.8%	401,624	22.0%
Mountain	275,437	16.4%	275,120	15.0%
Mid Atlantic	239,217	14.2%	236,104	12.9%
Pacific	165,358	9.9%	169,789	9.3%
Northeast <sup>(2)</sup>	133,279	7.9%	161,172	8.8%

East North Central <sup>(3)</sup>	46,220	2.8 %	60,401	3.3 %
West North Central	39,689	2.4 %	39,224	2.1 %
Total	\$ 1,678,721	100 %	\$ 1,828,336	100 %

(1) Includes one whole loan in maturity default with a carrying value of \$14.4 million and \$19.1 million at June 30, 2024 and December 31, 2023, respectively.

(2) Includes one whole loan in maturity default with a carrying value of \$8.0 million at December 31, 2023 that paid off at par during the second quarter 2024. Also includes one mezzanine loan with a par value of \$4.7 million that is fully reserved at both June 30, 2024 and December 31, 2023.

(3) Includes one whole loan in maturity default with a carrying value of \$14.0 million at December 31, 2023. The Company took title to the underlying property via deed-in-lieu of foreclosure in the first quarter 2024.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

(unaudited)

Geographic Location	September 30, 2024		December 31, 2023	
	Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
Southwest	\$ 433,992	28.1 %	\$ 484,902	26.6 %
Mountain	276,876	17.9 %	275,120	15.0 %
Southeast	249,344	16.1 %	401,624	22.0 %
Mid Atlantic	217,747	14.1 %	236,104	12.9 %
Pacific	146,874	9.5 %	169,789	9.3 %
Northeast	134,942	8.7 %	161,172	8.8 %
East North Central	46,538	3.0 %	60,401	3.3 %
West North Central	39,504	2.6 %	39,224	2.1 %
Total	\$ 1,545,817	100 %	\$ 1,828,336	100 %

The following is a summary of the contractual maturities of the Company's CRE loans held for investment, at amortized cost (in thousands, except amounts in the footnotes):

Description	2024	2025	2026 and Thereafter	Total	2024	2025	2026 and Thereafter	Total
<b>At June 30, 2024:</b>								
<b>At September 30, 2024:</b>								
Whole loans <sup>(1)</sup>	\$ 448,633	\$ 983,679	\$ 262,301	\$ 1,694,613	\$ 123,016	\$ 1,060,979	\$ 297,394	\$ 1,481,389
Mezzanine loan	—	—	4,700	4,700	—	—	4,700	4,700
Total CRE loans <sup>(2)</sup>	\$ 448,633	\$ 983,679	\$ 267,001	\$ 1,699,313	\$ 123,016	\$ 1,060,979	\$ 302,094	\$ 1,486,089
Description	2024	2025	2026 and Thereafter	Total	2024	2025	2026 and Thereafter	Total
<b>At December 31, 2023:</b>								
Whole loans <sup>(1)</sup>	\$ 916,985	\$ 814,772	\$ 79,484	\$ 1,811,241	\$ 916,985	\$ 814,772	\$ 79,484	\$ 1,811,241
Mezzanine loan	—	—	4,700	4,700	—	—	4,700	4,700
Total CRE loans <sup>(2)</sup>	\$ 916,985	\$ 814,772	\$ 84,184	\$ 1,815,941	\$ 916,985	\$ 814,772	\$ 84,184	\$ 1,815,941

(1) Maturity dates exclude one four and three whole loans, with amortized costs of \$14.4 million and \$41.2 million, in maturity default at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(2) At June 30, 2024 September 30, 2024, the amortized costs of the floating-rate CRE whole loans, summarized by contractual maturity assuming full exercise of the extension options were \$5.6 million, \$101.5 million and \$1.6 billion in 2024, 2025 and 2026 and thereafter, respectively. At December 31, 2023, the amortized costs of the floating-rate CRE whole loans, summarized by contractual maturity assuming full exercise of the extension options, were \$80.4 million, \$101.7 million and \$1.6 billion in 2024, 2025 and 2026 and thereafter, respectively.

At June 30, 2024 September 30, 2024 and December 31, 2023, no single loan or investment represented more than 10% of the Company's total assets, and no single investment group generated over 10% of the Company's revenue.

Principal Paydowns Receivable

Principal paydowns receivable represents loan principal payments that have been received by the Company's servicers and trustees but have not been remitted to the Company. At September 30, 2024, the Company had \$24.4 million of principal paydowns receivable, all of which were received by the Company during October 2024. At December 31, 2023, the Company had no loan principal paydowns receivable.

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
September 30, 2024  
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NOTE 6 - FINANCING RECEIVABLES

The following table shows the activity in the allowance for credit losses for the six nine months ended June 30, 2024 September 30, 2024 and the year ended December 31, 2023 (in thousands):

	Six Months Ended June 30, 2024	Year Ended December 31, 2023	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Allowance for credit losses at beginning of period	\$ 28,757	\$ 18,803	\$ 28,757	\$ 18,803
Provision for credit losses	6,233	10,902	5,942	10,902
Charge offs	—	(948)	—	(948)
Allowance for credit losses at end of period	\$ 34,990	\$ 28,757	\$ 34,699	\$ 28,757

During the three and six months ended June 30, 2024 September 30, 2024, the Company recorded a provision for reversal of expected credit losses of \$1.3 291,000, primarily attributable to a decrease in modeled credit risk resulting from payoffs and net improvements in property-level performance, offset by a minor worsening of macroeconomic factors, which in turn is keeping interest rates higher for longer. During the nine months ended September 30, 2024, provisions of expected credit losses in the first and second quarters of 2024 outpaced the reversal during the third quarter of 2024, resulting in a net provision of \$5.9 million, and \$6.2 million, respectively, primarily driven by worsening macroeconomic factors, including, but not limited to, higher interest rates lasting longer than expected pressuring CRE pricing, offset, in part, by a decrease in modeled credit risk resulting from payoffs and net improvements in property-level performance.

At both June 30, 2024 September 30, 2024 and December 31, 2023, the Company individually evaluated the following loans loan for impairment:

- An office mezzanine loan in the Northeast region with a principal balance of \$4.7 million at both June 30, 2024 September 30, 2024 and December 31, 2023. The Company fully reserved this loan in the fourth quarter of 2022, and it continues to be fully reserved at June 30, 2024 September 30, 2024. The loan entered payment default in February 2023 and has been placed on nonaccrual status.

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
June 30, in fiscal year 2024,  
(unaudited)

- An office loan in the Southwest region, with a principal balance of \$14.4 million and \$19.1 million at June 30, 2024 and December 31, 2023, respectively, for which

foreclosure was determined to be probable. The loan had an initial maturity of March 2022 and was modified three times to extend its maturity to June 2022. The loan entered into payment default and was placed on nonaccrual status. However, in exchange for payments, comprising principal paydowns, interest payments and the reimbursement of certain legal fees, received between October 2022 and May 2024, the Company agreed to temporarily defer its right to foreclose on the property. Additionally, at both June 30, 2024 and December 31, 2023, this loan had an as-is appraised value in excess of its principal, and, as such, had no CECL allowance. In July 2024, the Company foreclosed on this loan.

At June 30, 2024, the Company individually evaluated one additional loan: loan for which a resolution was reached:

- One multifamily loan in the Southeast region, with a principal balance of \$9.3 million at June 30, 2024 and December 31, 2023, respectively, for which foreclosure was determined to be probable. This loan had an as-is appraised value in excess of its principal, and, as such, had no CECL allowance at June 30, 2024. In August 2024, the Company foreclosed on the loan.

At December 31, 2023, the Company had individually evaluated two three additional loans for which resolutions were reached in fiscal year 2024:

- A retail loan in the Northeast region, with a principal balance of \$8.0 million at December 31, 2023, for which foreclosure was determined to be probable. The loan was modified in February 2021 to extend its maturity to December 2021. In December 2021, this loan entered payment default and was placed on nonaccrual status. The borrower filed for bankruptcy in 2023 and the property was sold to a third-party bidder at auction in February 2024. The sale closed in April 2024 at a purchase price of \$8.3 million and the loan was paid off at par.
- An office loan in the East North Central region with a principal balance of \$14.0 million at December 31, 2023. During the year ended December 31, 2023, the loan entered into payment default and was placed on nonaccrual status. The loan had an as-is appraised value in excess of its principal and interest balances, and, as such, had no allowance for CECL at December 31, 2023. In March 2024, the Company accepted the deed-in-lieu of foreclosure in full satisfaction of the loan and recognized a \$5.8 million gain upon conversion of the loan to real estate owned based on the property's fair value of \$20.3 million as determined by a current appraisal. Upon receipt, the property was immediately contributed to a joint venture with an independent third party at its aforementioned fair value, and the Company's investment in that joint venture is included in investments in unconsolidated entities on the consolidated balance sheet (see Note 3).

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**September 30, 2024**  
**(unaudited)**

- An office loan in the Southwest region, with a principal balance of \$19.1 million at December 31, 2023 for which foreclosure was determined to be probable. The loan had an initial maturity of March 2022 and was modified three times to extend its maturity to June 2022. The loan entered into payment default and was placed on nonaccrual status. However, in exchange for payments, comprising principal paydowns, interest payments and the reimbursement of certain legal fees, received between October 2022 and May 2024, the Company agreed to temporarily defer its right to foreclose on the property. In July 2024, the Company foreclosed on the loan. At the time of foreclosure, the loan had a principal balance of \$14.4 million.

**Credit quality indicators**

**Commercial Real Estate Loans**

CRE loans are collateralized by a diversified mix of real estate properties and are assessed for credit quality based on the collective evaluation of several factors, including but not limited to: collateral performance relative to underwritten plan, time since origination, current implied and/or re-underwritten loan-to-collateral value ("LTV") ratios, loan structure and exit plan. Depending on the loan's performance against these various factors, loans are rated on a scale from 1 to 5, with loans rated 1 representing loans with the highest credit quality and loans rated 5 representing loans with the lowest credit quality. Loans are typically rated a 2 at origination. The factors evaluated provide general criteria to monitor credit migration in the Company's loan portfolio; as such, a loan's rating may improve or worsen, depending on new information received.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**  
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The criteria set forth below should be used as general guidelines. Therefore, not every loan will have all of the characteristics described in each category below.

Risk Rating	Risk Characteristics
1	<ul style="list-style-type: none"> <li>Property performance has surpassed underwritten expectations.</li> <li>Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high-quality tenant mix.</li> </ul>
2	<ul style="list-style-type: none"> <li>Property performance is consistent with underwritten expectations and covenants and performance criteria are being met or exceeded.</li> <li>Occupancy is stabilized, near stabilized or is on track with underwriting.</li> </ul>
3	<ul style="list-style-type: none"> <li>Property performance lags behind underwritten expectations.</li> <li>Occupancy is not stabilized and the property has some tenancy rollover.</li> </ul>
4	<ul style="list-style-type: none"> <li>Property performance significantly lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers.</li> <li>Occupancy is not stabilized and the property has a large amount of tenancy rollover.</li> </ul>
5	<ul style="list-style-type: none"> <li>Property performance is significantly worse than underwritten expectations. The loan is not in compliance with loan covenants and performance criteria and may be in default. Expected sale proceeds would not be sufficient to pay off the loan at maturity.</li> <li>The property has a material vacancy rate and significant rollover of remaining tenants.</li> <li>An updated appraisal is required upon designation and updated on an as-needed basis.</li> </ul>

All CRE loans are evaluated for any credit deterioration by debt asset management and certain finance personnel on at least a quarterly basis. Mezzanine loans may experience greater credit risks due to their nature as subordinated investments.

For the purpose of calculating the quarterly provision for credit losses under CECL, the Company pools CRE loans based on the underlying collateral property type and utilizes a probability of default and loss given default methodology for approximately one year after which it immediately reverts to a historical mean loss ratio.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**September 30, 2024**  
**(unaudited)**

Credit risk profiles of CRE loans at amortized cost were as follows (in thousands, except amounts in the footnote):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Total <sup>(1)</sup>
<b>At September 30, 2024:</b>						
Whole loans, floating-rate	\$ 61,993	\$ 649,765	\$ 505,249	\$ 353,196	\$ 5,613	\$ 1,575,816
Mezzanine loan	—	—	—	—	4,700	4,700
Total	<u>\$ 61,993</u>	<u>\$ 649,765</u>	<u>\$ 505,249</u>	<u>\$ 353,196</u>	<u>\$ 10,313</u>	<u>\$ 1,580,516</u>
<b>At December 31, 2023:</b>						
Whole loans, floating-rate	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 41,152	\$ 1,852,393

Mezzanine loan	—	—	—	—	4,700	4,700
Total	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 45,852	\$ 1,857,093

(1) The total amortized cost of CRE whole loans excluded accrued interest receivable of \$13.9 million and \$11.8 million at September 30, 2024 and December 31, 2023, respectively.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**June September 30, 2024**  
**(unaudited)**

Credit risk profiles of CRE loans at amortized cost were as follows (in thousands, except amounts in the footnote):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Total <sup>(1)</sup>
<b>At June 30, 2024:</b>						
Whole loans, floating-rate	\$ 74,447	\$ 760,146	\$ 510,578	\$ 349,442	\$ 14,398	\$ 1,709,011
Mezzanine loan	—	—	—	—	4,700	4,700
Total	\$ 74,447	\$ 760,146	\$ 510,578	\$ 349,442	\$ 19,098	\$ 1,713,711
<b>At December 31, 2023:</b>						
Whole loans, floating-rate	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 41,152	\$ 1,852,393
Mezzanine loan	—	—	—	—	4,700	4,700
Total	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 45,852	\$ 1,857,093

(1)

The total amortized cost of CRE whole loans excluded accrued interest receivable of \$12.5 million and \$11.8 million at June 30, 2024 and December 31, 2023, respectively.

Credit risk profiles of CRE loans by origination year at amortized cost were as follows (in thousands, except amounts in the footnotes):

	2024	2023	2022	2021	2020	Prior	Total <sup>(1)</sup>
<b>At June 30, 2024:</b>							
Whole loans, floating-rate: <sup>(2)</sup>							
Rating 1	\$ —	\$ —	\$ —	\$ 74,447	\$ —	\$ —	\$ 74,447
Rating 2	—	46,656	192,413	450,493	56,583	14,001	760,146
Rating 3	—	15,785	198,389	285,302	—	11,102	510,578
Rating 4	—	—	84,260	214,676	—	50,506	349,442
Rating 5	—	—	—	—	—	14,398	14,398
Total whole loans, floating-rate	—	62,441	475,062	1,024,918	56,583	90,007	1,709,011
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700
Total	\$ —	\$ 62,441	\$ 475,062	\$ 1,024,918	\$ 56,583	\$ 94,707	\$ 1,713,711
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>At December 31, 2023:</b>							
Whole loans, floating-rate: <sup>(2)</sup>							
Rating 2	\$ 63,634	\$ 212,175	\$ 636,487	\$ 22,556	\$ 38,572	\$ —	\$ 973,424



Rating 3	—	168,791	364,369	34,232	—	13,640	581,032
Rating 4	—	82,918	123,333	—	5,645	44,889	256,785
Rating 5	—	14,000	—	—	19,127	8,025	41,152
Total whole loans, floating-rate	63,634	477,884	1,124,189	56,788	63,344	66,554	1,852,393
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700
Total	\$ 63,634	\$ 477,884	\$ 1,124,189	\$ 56,788	\$ 63,344	\$ 71,254	\$ 1,857,093
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ (948)	\$ —	\$ (948)

	2024 <sup>(1)</sup>	2023	2022	2021	2020	Prior	Total <sup>(2)</sup>
<b>At September 30, 2024:</b>							
Whole loans, floating-rate: <sup>(3)</sup>							
Rating 1	\$ —	\$ —	\$ —	\$ 61,993	\$ —	\$ —	\$ 61,993
Rating 2	—	47,505	150,007	381,822	56,460	13,971	649,765
Rating 3	—	15,798	216,417	261,949	—	11,085	505,249
Rating 4	31,545	—	84,778	191,984	—	44,889	353,196
Rating 5	—	—	—	—	—	5,613	5,613
Total whole loans, floating-rate	31,545	63,303	451,202	897,748	56,460	75,558	1,575,816
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700
Total	\$ 31,545	\$ 63,303	\$ 451,202	\$ 897,748	\$ 56,460	\$ 80,258	\$ 1,580,516
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

	2023	2022	2021	2020	2019	Prior	Total <sup>(2)</sup>
<b>At December 31, 2023:</b>							
Whole loans, floating-rate: <sup>(3)</sup>							
Rating 2	\$ 63,634	\$ 212,175	\$ 636,487	\$ 22,556	\$ 38,572	\$ —	\$ 973,424
Rating 3	—	168,791	364,369	34,232	—	13,640	581,032
Rating 4	—	82,918	123,333	—	5,645	44,889	256,785
Rating 5	—	14,000	—	—	19,127	8,025	41,152
Total whole loans, floating-rate	63,634	477,884	1,124,189	56,788	63,344	66,554	1,852,393
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700
Total	\$ 63,634	\$ 477,884	\$ 1,124,189	\$ 56,788	\$ 63,344	\$ 71,254	\$ 1,857,093
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ (948)	\$ —	\$ (948)

(1)

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novated CRE whole loan that resulted from a loan workout.

**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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**June 30, 2024**  
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(1) (2) The total amortized cost of CRE whole loans excluded accrued interest receivable of \$12.5 13.9 million and \$11.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(2) (3) Acquired CRE whole loans are grouped within each loan's year of origination.

The Company has one additional mezzanine loan that was included in other assets held for sale, and that loan had no carrying value at both June 30, 2024 September 30, 2024 and December 31, 2023.

**Loan Portfolio Aging Analysis**

The following table presents the CRE loan portfolio aging analysis at the dates indicated for CRE loans at amortized cost (in thousands, except amounts in footnotes):

			Greater than 90			Total Loans	Total Loans >
	30-59 Days	60-89 Days	Days <sup>(1)</sup>	Total Past Due	Current <sup>(2)</sup>	Receivable <sup>(3)</sup>	90 Days and Accruing
<b>At June 30, 2024:</b>							
Whole loans, floating-rate	\$ —	\$ —	\$ 14,398	\$ 14,398	\$ 1,694,613	\$ 1,709,011	\$ —
Mezzanine loan <sup>(4)</sup>	—	—	4,700	4,700	—	4,700	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,098</u>	<u>\$ 19,098</u>	<u>\$ 1,694,613</u>	<u>\$ 1,713,711</u>	<u>\$ —</u>
<b>At December 31, 2023:</b>							
Whole loans, floating-rate	\$ —	\$ —	\$ 41,152	\$ 41,152	\$ 1,811,241	\$ 1,852,393	\$ 19,127
Mezzanine loan <sup>(4)</sup>	—	—	4,700	4,700	—	4,700	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,852</u>	<u>\$ 45,852</u>	<u>\$ 1,811,241</u>	<u>\$ 1,857,093</u>	<u>\$ 19,127</u>

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**September 30, 2024**

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			Greater than 90			Total Loans	Total Loans >
	30-59 Days	60-89 Days	Days	Total Past Due	Current	Receivable <sup>(1)</sup>	90 Days and Accruing
<b>At September 30, 2024:</b>							
Whole loans, floating-rate	\$ 94,427	\$ —	\$ —	\$ 94,427	\$ 1,481,389	\$ 1,575,816	\$ —
Mezzanine loan <sup>(2)</sup>	—	—	4,700	4,700	—	4,700	—
Total	<u>\$ 94,427</u>	<u>\$ —</u>	<u>\$ 4,700</u>	<u>\$ 99,127</u>	<u>\$ 1,481,389</u>	<u>\$ 1,580,516</u>	<u>\$ —</u>
<b>At December 31, 2023:</b>							
Whole loans, floating-rate	\$ —	\$ —	\$ 41,152	\$ 41,152	\$ 1,811,241	\$ 1,852,393	\$ 19,127
Mezzanine loan <sup>(2)</sup>	—	—	4,700	4,700	—	4,700	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,852</u>	<u>\$ 45,852</u>	<u>\$ 1,811,241</u>	<u>\$ 1,857,093</u>	<u>\$ 19,127</u>

(1) During the three and six months ended June 30, 2024, the Company recognized interest income of \$258,000 and \$922,000, respectively, on one CRE whole loan with a principal payment past due greater than 90 days at June 30, 2024. During the three and six months ended June 30, 2023, the Company recognized interest income of \$837,000 and \$1.8 million, respectively, on one CRE whole loan with a principal payment past due greater than 90 days at June 30, 2023.

(2) Includes three CRE whole loans, with total amortized costs of \$88.5 million, that are past due on interest payments at June 30, 2024.

(3) The total amortized cost of CRE whole loans excluded accrued interest receivable of \$12.5 13.9 million and \$11.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(4) (2) Fully reserved at both June 30, 2024 September 30, 2024 and December 31, 2023.

At June 30, 2024 September 30, 2024 and December 31, 2023, the Company had four and three CRE whole loans, with total amortized costs of \$102.9 94.4 million and \$41.2 million, respectively, and one mezzanine loan, with a total amortized cost of \$4.7 million, in payment default.

During the three and nine months ended September 30, 2024, the Company recognized interest income of \$204,000 and \$338,000, respectively, on one CRE whole loan that was placed on nonaccrual status. In both the three and nine months ended September 30, 2023, the Company recognized interest income of \$335,000, on two CRE whole loans that were placed on nonaccrual status.

**Loan Modifications**

The Company is required to disclose modifications where it determined the borrower is experiencing financial difficulty and modified the agreement to: (i) forgive principal, (ii) reduce the interest rate, (iii) cause an other-than-insignificant payment delay, (iv) extend the loan term, or (v) any combination thereof.

During the **six** nine months ended **June 30, 2024** **September 30, 2024**, the Company entered into the following three loan modifications that required disclosure:

- A multifamily loan with an amortized cost of \$**52.9****53.0** million, representing **3.1****3.4**% of the total amortized cost of the portfolio, was modified to: (i) extend its maturity from June 2025 to June 2026, (ii) reduce its current interest rate from **BR +one-month Term SOFR plus a spread of 3.70%** to **BR +one-month Term SOFR plus a spread of 1.70%**, and (iii) defer interest of 2.00% that will be due at payoff. In connection with the modification, the borrower funded additional capital into the project for interest reserves to cover debt service.
- A multifamily loan with an amortized cost of \$**44.1****44.4** million, representing **2.6****2.8**% of the total amortized cost of the portfolio, was modified to: (i) reduce its current pay interest rate from **BR +one-month Term SOFR plus a spread of 3.31%** to a 5.00% fixed rate and (ii) defer the unpaid interest that will be due at loan payoff. In connection with the modification, the borrower funded additional capital into the project for interest reserves to cover debt service.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

**(unaudited)**

- A multifamily loan with an amortized cost of \$**70.6****70.7** million, representing **4.1****4.5**% of the total amortized cost of the portfolio, was modified to: (i) extend its maturity from January 2025 to January 2026 and (ii) provide for 2.00% per annum of the interest rate to be deferred until payoff. The Company also entered into a mezzanine loan with a total commitment of \$6.0 million, of which \$**2.3****3.0** million was funded **at June 30, 2024 as of September 30, 2024**. The loan has a fixed rate of 15.00% that accrues and will be due at payoff in January 2026. In connection with the modification, the borrower renewed the interest rate cap.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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**September 30, 2024**

**(unaudited)**

These loans were performing in accordance with the modified contractual terms as of **June 30, 2024** **September 30, 2024**. At **June 30, 2024** **September 30, 2024**, two of these loans, with a total amortized cost of \$123.7 million, had a risk rating of **"4."****"4"** and one loan, with an amortized cost of \$44.4 million, had a risk rating of **"3"**. Loans with a risk rating of **"3"** and **"4"** are included in the determination of **our the Company's** general CECL reserves.

During the **six** nine months ended **June 30, 2023** **September 30, 2023**, the Company did not enter into any loan modifications for borrowers that were experiencing financial difficulty.

**NOTE 7 - INVESTMENTS IN REAL ESTATE AND OTHER ACQUIRED ASSETS AND ASSUMED LIABILITIES**

During the three months ended September 30, 2024, the Company acquired investments in real estate as a result of its lending activities (through foreclosure or deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans). The following table summarizes the acquisition date values of the acquired assets and assumed liabilities during the three and nine months ended September 30, 2024 (in thousands):

**Investments in real estate from lending activities:**

**Assets acquired:**

Investments in real estate	\$	9,140
----------------------------	----	-------

Cash and other assets	629
Properties held for sale	18,299
Total	28,068
<b>Liabilities assumed:</b>	
Other liabilities	758
Total fair value at acquisition of net assets acquired	\$ 27,310

At **June 30, 2024** **September 30, 2024**, the Company held investments in **six** **eight** real estate properties, four of which are included in investments in real estate, and **two** **four** of which are included in properties held for sale on the consolidated balance **sheets**.

The following table summarizes **sheet**. During the **book** **three months ended** **September 30, 2024**, the Company reclassified one property in the southeast region with a carrying value of **the Company's acquired assets and assumed liabilities (in thousands, except amounts \$118.2 million from an investment in the footnotes); real estate to real estate held for sale**.

	June 30, 2024			December 31, 2023		
	Cost Basis	Accumulated Depreciation & Amortization	Carrying Value	Cost Basis	Accumulated Depreciation & Amortization	Carrying Value
<b>Assets acquired:</b>						
<b>Investments in real estate, equity:</b>						
Investments in real estate <sup>(1)</sup>	\$ 188,808	\$ (6,455)	\$ 182,353	\$ 162,662	\$ (5,041)	\$ 157,621
Right of use assets <sup>(2)(3)</sup>	19,664	(614)	19,050	19,664	(478)	19,186
Intangible assets <sup>(4)</sup>	11,474	(4,079)	7,395	11,474	(3,592)	7,882
Subtotal	219,946	(11,148)	208,798	193,800	(9,111)	184,689
<b>Investments in real estate from lending activities:</b>						
Properties held for sale <sup>(5)</sup>	63,341	—	63,341	62,605	—	62,605
Total	283,287	(11,148)	272,139	256,405	(9,111)	247,294
<b>Liabilities assumed:</b>						
<b>Investments in real estate, equity:</b>						
Mortgage payables	61,796	2,206	64,002	40,297	1,489	41,786
Other liabilities	247	(238)	9	247	(220)	27
Lease liabilities <sup>(3)(6)</sup>	43,889	—	43,889	43,538	—	43,538
Subtotal	105,932	1,968	107,900	84,082	1,269	85,351
<b>Investments in real estate from lending activities:</b>						
Liabilities held for sale <sup>(7)</sup>	3,123	—	3,123	3,025	—	3,025
Total	109,055	1,968	111,023	87,107	1,269	88,376
Total net investments in real estate and properties held for sale <sup>(8)</sup>	\$ 174,232		\$ 161,116	\$ 169,298		\$ 158,918

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June September 30, 2024**  
**(unaudited)**

The following table summarizes the book value of the Company's acquired assets and assumed liabilities (in thousands, except amounts in the footnotes):

	September 30, 2024			December 31, 2023		
	Cost Basis	Accumulated Depreciation & Amortization	Carrying Value	Cost Basis	Accumulated Depreciation & Amortization	Carrying Value
<b>Assets acquired:</b>						
<i><b>Investments in real estate, equity:</b></i>						
Investments in real estate <sup>(1)</sup>	\$ 95,105	\$ (5,775)	\$ 89,330	\$ 162,662	\$ (5,041)	\$ 157,621
Right of use assets <sup>(2)(3)</sup>	19,665	(683)	18,982	19,664	(478)	19,186
Intangible assets <sup>(4)</sup>	11,195	(4,043)	7,152	11,474	(3,592)	7,882
Subtotal	125,965	(10,501)	115,464	193,800	(9,111)	184,689
<i><b>Investments in real estate from lending activities:</b></i>						
Properties held for sale <sup>(5)</sup>	200,194	—	200,194	62,605	—	62,605
Total	326,159	(10,501)	315,658	256,405	(9,111)	247,294
<b>Liabilities assumed:</b>						
<i><b>Investments in real estate, equity:</b></i>						
Mortgage payables	71,368	2,548	73,916	40,297	1,489	41,786
Other liabilities	247	(247)	—	247	(220)	27
Lease liabilities <sup>(3)(6)</sup>	44,061	—	44,061	43,538	—	43,538
Subtotal	115,676	2,301	117,977	84,082	1,269	85,351
<i><b>Investments in real estate from lending activities:</b></i>						
Liabilities held for sale <sup>(7)</sup>	3,173	—	3,173	3,025	—	3,025
Total	118,849	2,301	121,150	87,107	1,269	88,376
Total net investments in real estate and properties held for sale <sup>(8)</sup>	\$ 207,310		\$ 194,508	\$ 169,298		\$ 158,918

- (1) Includes \$22.4 million and \$38.4 million of land, which is not depreciable, at both June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Also includes \$70.6 2.9 million and \$44.9 million of construction in progress, which is also not depreciable until placed in service, at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (2) Primarily comprised a an \$18.7 million and \$19.2 million right of use asset, at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, associated with the ground lease disclosed at footnote (6) below as an operating lease. Amortization is booked to real estate expenses on the consolidated statements of operations.
- (3) Refer to Note 8 for additional information on the Company's remaining operating leases.
- (4) Primarily comprised a franchise intangible of \$4.4 4.3 million and \$4.7 million, a management contract intangible of \$2.8 million and \$2.9 million and a customer list intangible of \$134,000 89,000 and \$223,000, at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (5) At June 30, 2024 September 30, 2024 and December 31, 2023, properties held for sale included a hotel acquired via deed-in-lieu of foreclosure in November 2020, as well as an office property acquired via deed-in-lieu of foreclosure in June 2023. At September 30, 2024, two additional properties, a newly constructed multi-family property placed in service in September 2024 and an office complex acquired July 2024, were classified properties held for sale.
- (6) Primarily comprised of a \$43.6 43.7 million ground lease with a remaining term of 92 years at June 30, 2024 September 30, 2024. Lease expense was \$1.4 2.1 million and \$1.3 2.0 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.
- (7) Comprised of an operating lease liability.
- (8) Excludes items of working capital, either acquired or assumed.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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**September 30, 2024**

**(unaudited)**

The Company acquired a ground lease with its equity investment in a hotel property in April 2022. This ground lease has an associated above-market lease intangible liability. The ground lease confers the Company the right to use the land on which its hotel operates, and the ground lease payments increase 3.00% per year until 2116. The Company acquired the original 99-year lease with 94 years remaining. At **June 30, 2024** **September 30, 2024**, 92 years remain in its term.

The Company recorded lease payments of **\$452,000** and **\$1.3 million** for the three and nine months ended **September 30, 2024**, respectively, and **\$439,000** and **\$877,000** **1.3 million** for the three and **six nine** months ended **June 30, 2024**, respectively, and **\$426,000** and **\$852,000** for the three and six months ended **June 30, 2023** **September 30, 2023**, respectively. The Company recorded amortization of **\$51,000** and **\$102,000** **153,000** during the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, related to the right of use asset and accretion of **\$634,000** **639,000** and **\$1.3** **1.9** million during the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, related to its ground lease liability. The Company recorded amortization of **\$51,000** and **\$102,000** **153,000** during the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively, related to the right of use asset and accretion of **\$615,000** **620,000** and **\$1.2** **1.8** million during the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively, related to its ground lease liability.

During the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company recorded amortization expense of **\$243,000** and **\$486,000** **730,000**, respectively, on its intangible assets. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company recorded amortization expense of **\$251,000** **252,000** and **\$503,000** **755,000**, respectively, on its intangible assets. The Company expects to record additional amortization expense of **\$486,000** **232,000** during the remainder of fiscal year 2024. The Company also expects to record amortization expense of **\$793,000**, **\$748,000**, **\$748,000**, **\$748,000** and **\$748,000** during the 2025, 2026, 2027, 2028 and 2029 fiscal years, respectively, on its intangible assets.

**Subsequent to the end of the second quarter 2024, the Company completed foreclosure proceedings on an office property in the Southwest region.**

**NOTE 8 - LEASES**

In addition to the ground lease discussed in Note 7, the Company has operating leases for office space and office equipment. The leases have terms that expire between February and September 2029. The leases on the office space and office equipment contain options for early termination granted to the Company and the lessor. Lease payments are determined as follows:

- Office space: payments are made on a fixed schedule, escalating annually, and also include the Company's responsibility for a percentage of increases in the build property taxes and operating expenses over the base year.
- Office equipment: payments are made on a fixed schedule.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

**(unaudited)**

The following table summarizes the Company's operating leases (in thousands):

June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
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**Operating Leases:**

Right of use assets	\$	656	\$	693	\$	631	\$	693
Lease liabilities	\$	(703)	\$	(738)	\$	(678)	\$	(738)
Weighted average remaining lease term:		5.2 years		5.8 years		5.0 years		5.8 years
Weighted average discount rate (1):		8.70%		8.70%		8.70%		8.70%

(1) The market discount rate is used, when readily determinable, in calculating the present value of lease payments for the operating lease liability. Otherwise, the incremental borrowing rate on the commencement date is used.

The following table summarizes the Company's operating lease costs and cash payments for the periods presented (in thousands):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Lease Cost:</b>				
Operating lease cost	\$ 40	\$ 40	\$ 80	\$ 115
<b>Other Information:</b>				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$ 39	\$ 38	\$ 77	\$ 75

The following table summarizes the Company's operating leases cash flow obligations on an undiscounted, annual basis (in thousands):

	Operating Leases
2024	\$ 79
2025	162
2026	166
2027	170
2028	174
Thereafter	131
Subtotal	882
Less: impact of discount	(179)
Total	\$ 703

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June September 30, 2024**

**(unaudited)**

The following table summarizes the Company's operating lease costs and cash payments for the periods presented (in thousands):

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
<b>Lease Cost:</b>				
Operating lease cost	\$ 40	\$ 39	\$ 119	\$ 154
<b>Other Information:</b>				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$ 39	\$ 38	\$ 116	\$ 113

The following table summarizes the Company's operating leases cash flow obligations on an undiscounted, annual basis (in thousands):

	Operating Leases
--	------------------

	Operating Leases
2024	\$ 40
2025	162
2026	166
2027	170
2028	174
Thereafter	131
Subtotal	843
Less: impact of discount	(165)
Total	\$ 678

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

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(unaudited)

**NOTE 9 - INVESTMENTS IN UNCONSOLIDATED ENTITIES**

The following table summarizes the Company's investments in unconsolidated entities at **June 30, 2024**, **September 30, 2024** and December 31, 2023 and equity in earnings of unconsolidated entities for the three and **six nine** months ended **June 30, 2024**, **September 30, 2024** and 2023 (dollars in **thousands** thousands, except in the footnotes):

	Earnings (Losses) of Unconsolidated Entities							Earnings (Losses) of Unconsolidated Entities						
	Ownership  %			For the Three Months Ended		For the Six Months Ended		Ownership  %			For the Three Months Ended		For the Nine Months Ended	
				June 30,		June 30,					September 30,		September 30,	
	at June 30, 2024	June 30, 2024	December 31, 2023	2024	2023	2024	2023	September 30, 2024	September 30, 2024	December 31, 2023	2024	2023	2024	2023
Investment in RCT I and II <sup>(1)</sup>	3%	\$ 1,548	\$ 1,548	\$ 38	\$ 37	\$ 75	\$ 70	3%	\$ 1,548	\$ 1,548	\$ —	\$ —	\$ —	\$ —
65 E. Wacker Joint Venture, LLC <sup>(2)</sup>	90%	20,082	—	(41)	—	(41)	—	90%	19,942	—	(140)	—	(181)	—
7720 McCallum JV, LLC <sup>(3)</sup>	50%	546	—	(28)	—	(28)	—							
Total		\$ 21,630	\$ 1,548	\$ (3)	\$ 37	\$ 34	\$ 70		\$ 22,036	\$ 1,548	\$ (168)	\$ —	\$ (209)	\$ —

(1) During the three and nine months ended **June 30, 2024**, **September 30, 2024** and 2023, dividends from the investments in RCT I's and RCT II's common shares in the amounts of \$38,000 and \$27,000 and \$112,000 and \$107,000, respectively, are recorded in other revenue on the Company's consolidated statements of operations.

(2) Refer to Note 3 for details regarding the **Venture, Wacker JV**.

(3) Refer to Note 3 for details regarding the **McCallum JV**.

**NOTE 10 - BORROWINGS**

The Company historically has financed the acquisition of its investments, including investment securities and loans, through the use of secured and unsecured borrowings. Certain information with respect to the Company's borrowings is summarized in the following table (dollars in thousands, except amounts in the footnotes):

Principal	Unamortized	Outstanding	Weighted Average	Weighted Average	Value of Collateral
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	Outstanding	Issuance Costs and Discounts	Borrowings	Borrowing Rate	Remaining Maturity	
<b>At June 30, 2024:</b>						
ACR 2021-FL1 Senior Notes	\$605,958	\$1,451	\$604,507	6.96%	12.0 years	\$733,378
ACR 2021-FL2 Senior Notes	491,867	2,421	489,446	7.30%	12.6 years	624,867
Senior secured financing facility	63,099	2,560	60,539	9.11%	3.6 years	159,893
CRE - term warehouse financing facilities <sup>(1)</sup>	165,092	1,575	163,517	7.97%	1.3 years	262,689
Mortgages payable	65,277	1,275	64,002	9.68%	7.4 years	101,751
5.75% Senior Unsecured Notes	150,000	1,528	148,472	5.75%	2.1 years	—
Unsecured junior subordinated debentures	51,548	—	51,548	9.54%	12.2 years	—
Total	<u>\$1,592,841</u>	<u>\$10,810</u>	<u>\$1,582,031</u>	<u>7.34%</u>	<u>9.6 years</u>	<u>\$1,882,578</u>
	Principal	Unamortized	Outstanding	Weighted Average	Weighted Average	
	Outstanding	Issuance Costs and Discounts	Borrowings	Borrowing Rate	Remaining Maturity	Value of Collateral
<b>At December 31, 2023:</b>						
ACR 2021-FL1 Senior Notes	\$643,040	\$2,243	\$640,797	6.98%	12.5 years	\$770,460
ACR 2021-FL2 Senior Notes	567,000	3,227	563,773	7.28%	13.1 years	700,000
Senior secured financing facility	64,495	2,927	61,568	9.14%	4.1 years	157,722
CRE - term warehouse financing facilities <sup>(1)</sup>	170,861	2,273	168,588	7.96%	1.6 years	254,081
Mortgages payable	43,779	1,993	41,786	8.92%	11.3 years	83,739
5.75% Senior Unsecured Notes	150,000	1,860	148,140	5.75%	2.6 years	—
Unsecured junior subordinated debentures	51,548	—	51,548	9.60%	12.7 years	—
Total	<u>\$1,690,723</u>	<u>\$14,523</u>	<u>\$1,676,200</u>	<u>7.28%</u>	<u>10.4 years</u>	<u>\$1,966,002</u>
	Principal	Unamortized	Outstanding	Weighted Average	Weighted Average	
	Outstanding	Issuance Costs and Discounts	Borrowings	Borrowing Rate	Remaining Maturity	Value of Collateral
<b>At September 30, 2024:</b>						
ACR 2021-FL1 Senior Notes	\$585,332	\$1,056	\$584,276	6.73%	11.7 years	\$712,752
ACR 2021-FL2 Senior Notes	408,261	2,017	406,244	7.15%	12.3 years	541,261
Senior secured financing facility	63,099	2,375	60,724	8.87%	3.3 years	161,303
CRE - term warehouse financing facilities <sup>(1)(2)</sup>	165,100	1,220	163,880	7.70%	1.0 year	264,631
Mortgages payable	74,849	933	73,916	9.71%	6.3 years	118,209
5.75% Senior Unsecured Notes	150,000	1,359	148,641	5.75%	1.9 years	—
Unsecured junior subordinated debentures	51,548	—	51,548	9.51%	11.9 years	—
Total	<u>\$1,498,189</u>	<u>\$8,960</u>	<u>\$1,489,229</u>	<u>7.19%</u>	<u>9.1 years</u>	<u>\$1,798,156</u>
	Principal	Unamortized	Outstanding	Weighted Average	Weighted Average	
	Outstanding	Issuance Costs and Discounts	Borrowings	Borrowing Rate	Remaining Maturity	Value of Collateral
<b>At December 31, 2023:</b>						
ACR 2021-FL1 Senior Notes	\$643,040	\$2,243	\$640,797	6.98%	12.5 years	\$770,460
ACR 2021-FL2 Senior Notes	567,000	3,227	563,773	7.28%	13.1 years	700,000
Senior secured financing facility	64,495	2,927	61,568	9.14%	4.1 years	157,722
CRE - term warehouse financing facilities <sup>(1)</sup>	170,861	2,273	168,588	7.96%	1.6 years	254,081
Mortgages payable	43,779	1,993	41,786	8.92%	11.3 years	83,739
5.75% Senior Unsecured Notes	150,000	1,860	148,140	5.75%	2.6 years	—
Unsecured junior subordinated debentures	51,548	—	51,548	9.60%	12.7 years	—

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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Total	\$1,690,72					
	3	\$14,523	\$1,676,200	7.28%	10.4 years	\$1,966,002

(1) Principal outstanding includes accrued interest payable of \$452,000, 461,000 and \$539,000 at June 30, 2024, September 30, 2024 and December 31, 2023, respectively.

(2) In November 2024, the Company extended the Morgan Stanley Facility to November 2025.

**Securitizations**

The following table sets forth certain information with respect to the Company's consolidated securitizations at June 30, 2024, September 30, 2024 (in thousands):

	Closing Date	Maturity Date	Reinvestment Period End <sup>(1)</sup>	Total Note Paydowns from Closing Date through June 30, 2024
ACR 2021-FL1	May 2021	June 2036	May 2023	\$ 69,265
ACR 2021-FL2	December 2021	January 2037	December 2023	\$ 75,133
	Closing Date	Maturity Date	Reinvestment Period End <sup>(1)</sup>	Total Note Paydowns from Closing Date through September 30, 2024
ACR 2021-FL1	May 2021	June 2036	May 2023	\$ 89,891
ACR 2021-FL2	December 2021	January 2037	December 2023	\$ 158,739

(1) The reinvestment period is the period in which principal proceeds received may be used to acquire CRE loans for reinvestment into the securitization.

The investments held by the Company's securitizations collateralize the securitizations' borrowings and, as a result, are not available to the Company, its creditors, or stockholders. All senior notes of the securitizations held by the Company at both June 30, 2024, September 30, 2024 and December 31, 2023 were eliminated in consolidation.

**ACR 2021-FL1**

In May 2021, the Company closed ACRES Commercial Realty 2021-FL1 Issuer, Ltd. ("ACR 2021-FL1"), an \$802.6 million CRE debt securitization transaction that provided financing for CRE loans. ACR 2021-FL1 issued a total of \$675.2 million of non-recourse, floating-rate notes to third parties at par. Additionally, ACRES RF retained 100% of the Class F and Class G notes and a subsidiary of ACRES RF retained 100% of the outstanding preference shares. The preference shares are subordinated in right of payment to all other securities issued by ACR 2021-FL1. ACR 2021-FL1 included a reinvestment period, which ended in May 2023, that allowed it to acquire CRE loans for reinvestment into the securitization using uninvested principal proceeds. All of the notes issued mature in June 2036, although the Company has the right to call the notes beginning on the payment date in May 2023 and thereafter. As of June 30, 2024, September 30, 2024, the Company had not exercised this right.

**ACR 2021-FL2**

In December 2021, the Company closed ACRES Commercial Realty 2021-FL2 Issuer, Ltd. ("ACR 2021-FL2"), a \$700.0 million CRE debt securitization transaction that provided financing for CRE loans. ACR 2021-FL2 issued a total of \$567.0 million of non-recourse, floating-rate notes to third parties at par. Additionally, ACRES RF retained 100% of the Class F and Class G notes and a subsidiary of ACRES RF retained 100% of the outstanding preference shares. The preference shares are subordinated in right of payment to all other securities issued by ACR 2021-FL2. Additionally, ACR 2021-FL2 included a reinvestment period, which ended in December 2023, that allowed it to acquire CRE loans for reinvestment into the securitization using uninvested principal proceeds. All of the notes issued mature in January 2037, although the Company has the right to call the notes beginning on the payment date in December 2023 and thereafter. As of June 30, 2024, September 30, 2024, the Company had not exercised this right.

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**Financing Arrangements**

Borrowings under the Company's financing arrangements are guaranteed by the Company or one or more of its subsidiaries. The following table sets forth certain information with respect to these arrangements (dollars in thousands, except amounts in footnotes):

	June 30, 2024				December 31, 2023			
	Outstanding	Value of	Number of	Weighted	Outstanding	Value of	Number of	Weighted
	Borrowings	Collateral	Positions as	Average	Borrowings	Collateral	Positions as	Average
			Collateral	Interest Rate			Collateral	Interest Rate
<b>Senior Secured Financing Facility</b>								
Massachusetts Mutual Life Insurance Company								
(1)	\$ 60,539	\$ 159,893	6	9.11%	\$ 61,568	\$ 157,722	7	9.14%
<b>CRE - Term Warehouse Financing Facilities (2)</b>								
JPMorgan Chase Bank, N.A. (3)	90,670	155,691	5	7.81%	74,694	125,044	4	7.82%
Morgan Stanley Mortgage Capital Holdings LLC								
(4)	72,847	106,998	6	8.17%	93,894	129,037	7	8.07%
<b>Mortgages Payable</b>								
ReadyCap Commercial, LLC (5)	19,926	25,400	1	9.13%	19,365	25,400	1	9.16%
Oceanview Life and Annuity Company (6)(7)	28,978	76,351	1	11.33%	7,330	58,339	1	11.37%
Florida Pace Funding Agency (6)(8)	15,098	—	—	7.26%	15,091	—	—	7.26%
Total	\$ 288,058	\$ 524,333			\$ 271,942	\$ 495,542		

	September 30, 2024				December 31, 2023			
	Outstanding	Value of	Number of	Weighted	Outstanding	Value of	Number of	Weighted
	Borrowings	Collateral	Positions as	Average	Borrowings	Collateral	Positions as	Average
			Collateral	Interest Rate			Collateral	Interest Rate
<b>Senior Secured Financing Facility</b>								
Massachusetts Mutual Life Insurance Company								
(1)	\$ 60,724	\$ 161,303	6	8.87%	\$ 61,568	\$ 157,722	7	9.14%
<b>CRE - Term Warehouse Financing Facilities (2)</b>								
JPMorgan Chase Bank, N.A. (3)	90,843	157,633	5	7.57%	74,694	125,044	4	7.82%
Morgan Stanley Mortgage Capital Holdings LLC								
(4)	73,037	106,998	6	7.85%	93,894	129,037	7	8.07%
<b>Mortgages Payable</b>								
ReadyCap Commercial, LLC (5)	20,171	26,925	1	8.91%	19,365	25,400	1	9.16%
Oceanview Life and Annuity Company (6)(7)	38,643	91,284	1	11.10%	7,330	58,339	1	11.37%
Florida Pace Funding Agency (6)(8)	15,102	—	—	7.26%	15,091	—	—	7.26%
Total	\$ 298,520	\$ 544,143			\$ 271,942	\$ 495,542		

- (1) Includes \$2.6 million and \$2.9 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (2) Outstanding borrowings include accrued interest payable.
- (3) Includes \$1.3 million and \$1.6 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (4) Includes \$265,000 71,000 and \$647,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (5) Includes \$155,000 121,000 and \$259,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (6) Outstanding borrowings are collateralized by a student housing construction project. Value of collateral and number of positions as collateral related to Oceanview Life and Annuity Company also applies to Florida Funding Agency.
- (7) Includes \$708,000 405,000 and \$1.3 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (8) Includes \$412,000 408,000 and \$419,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

The following table shows information about the amount at risk under the Company's financing arrangements (dollars in thousands, except amounts in footnotes):

	Amount at Risk	Weighted Average Remaining Maturity	Weighted Average Interest Rate
<b>At June 30, 2024:</b>			
<b>Senior Secured Financing Facility <sup>(1)</sup></b>			
Massachusetts Mutual Life Insurance Company	\$ 97,096	3.6 years	9.11%
<b>CRE - Term Warehouse Financing Facilities <sup>(1)(2)</sup></b>			
JPMorgan Chase Bank, N. A.	\$ 65,075	2.1 years	7.81%
Morgan Stanley Mortgage Capital Holdings LLC	\$ 34,722	0.3 years	8.17%
<b>Mortgages Payable</b>			
ReadyCap Commercial, LLC <sup>(3)</sup>	\$ 5,217	0.8 years	9.13%
Oceanview Life and Annuity Company <sup>(4)(5)</sup>	\$ 31,089	0.6 years	11.33%
Florida Pace Funding Agency <sup>(4)(5)</sup>	—	29.1 years	7.26%
	Amount at Risk	Weighted Average Remaining Maturity	Weighted Average Interest Rate
<b>At September 30, 2024:</b>			
<b>Senior Secured Financing Facility <sup>(1)</sup></b>			
Massachusetts Mutual Life Insurance Company	\$ 98,571	3.3 years	8.87%
<b>CRE - Term Warehouse Financing Facilities <sup>(1)(2)</sup></b>			
JPMorgan Chase Bank, N. A.	\$ 67,392	1.8 years	7.57%
Morgan Stanley Mortgage Capital Holdings LLC <sup>(3)</sup>	\$ 35,070	0.1 years	7.85%
<b>Mortgages Payable</b>			
ReadyCap Commercial, LLC <sup>(4)</sup>	\$ 6,533	0.5 years	8.91%
Oceanview Life and Annuity Company <sup>(5)(6)</sup>	\$ 36,138	0.4 years	11.10%
Florida Pace Funding Agency <sup>(5)(6)</sup>	—	28.8 years	7.26%

(1) Equal to the total of the estimated fair value of securities or loans sold and accrued interest receivable, minus the total of the financing agreement liabilities and accrued interest payable.

(2) The Company is required to maintain a total minimum unencumbered liquidity balance of \$15.0 million.

(3) In November 2024, the Company extended Morgan Stanley Mortgage Capital Holdings LLC to November 2025.

(4) Equal to the total of the estimated fair value of real estate property investment financed, minus the total of the mortgage payable agreement liability and accrued interest payable.

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(4) (5) Equal to the total of the estimated fair value of real estate property investment financed, minus the total of the construction loans agreement liabilities and accrued interest payable. Amount at risk related to Oceanview Life Annuity Company also applies to Florida Pace Funding Agency.

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**(5) (6)** Outstanding borrowings are collateralized by a student housing construction project.

The Company was in compliance with all financial covenants in each of the respective agreements at **June 30, 2024**, **September 30, 2024** and December 31, 2023.

**Senior Secured Financing Facility**

On July 31, 2020, an indirect, wholly owned subsidiary ("Holdings"), along with its direct wholly owned subsidiary (the "Borrower"), of the Company entered into a \$250.0 million Loan and Servicing Agreement (the "MassMutual Loan Agreement") with MassMutual and the other lenders party thereto (the "Lenders"). The asset-based revolving loan facility (the "MassMutual Facility") provided under the MassMutual Loan Agreement has been used to finance the Company's core CRE lending business. The MassMutual Facility initially had an interest rate of 5.75% per annum payable monthly and initially matured on July 31, 2027.

In December 2022, Holdings, the Borrower and the Lenders entered into an Amended and Restated Loan and Servicing Agreement, which amends and restates the MassMutual Loan Agreement, and reflects a senior secured term loan facility, not to exceed \$500.0 million, composed of individual loan series issued upon mutual agreement of the Borrower and Lenders. Each loan series will be available for three months after the closing date agreed upon by the Borrower and Lender ("Commitment Period"), subject to the maximum dollar amount agreed upon for that series. The Commitment Period is subject to immediate termination upon the occurrence of an event of default. Each loan series will have a final maturity of five years from the issuance date for the loan series unless an additional time is mutually agreed upon by the Lenders and Borrower. The advance rate on portfolio assets will be mutually agreed upon by the Lenders and Borrower. Each loan series will have its own mutually agreed upon interest rate equal to one-month Term SOFR plus the applicable spread.

**CRE - Term Warehouse Financing Facilities**

In October 2018, an indirect, wholly-owned subsidiary of the Company entered into a master repurchase agreement (the "JPMorgan Chase Facility") with JP Morgan Chase to finance the origination of CRE loans. As amended, the JPMorgan Chase Facility has a maximum facility amount of \$250.0 million, charges interest of one-month Term SOFR plus market spreads and matures in July 2026.

In November 2021, an indirect, wholly-owned subsidiary of the Company entered into a master repurchase and securities contract agreement (the "Morgan Stanley Facility") with Morgan Stanley Mortgage Capital Holdings LLC ("Morgan Stanley") to finance the origination of CRE loans. As amended, the Morgan Stanley Facility has a maximum facility amount of \$250.0 million, charges interest of one-month Term SOFR plus market spreads and matures in November 2024. The Company also has the right to request a one-year extension. **In November 2024, the Company entered into Amendment No. 3 to Guaranty (the "Morgan Stanley Amendment") by and between the Company and Morgan Stanley, which makes certain amendments and modifications to the Guaranty, dated November 3, 2021 between the Company and Morgan Stanley as amended (the "MS Guaranty") including but not limited to amending the EBITDA to Interest Expense ratio (as defined in the MS Guaranty) through the quarter ending December 2025 and extending the Morgan Stanley Facility to November 2025. See Part II, Item 5 "Other Information".**

The Term Warehouse Financing Facilities are accounted for as secured borrowings in accordance with GAAP.

**Mortgages Payable**

In April 2022, Chapel Drive West, LLC, a wholly owned subsidiary of the FSU Student Venture, entered into a Loan Agreement (the "Mortgage") with ReadyCap Commercial, LLC ("ReadyCap") to finance the acquisition of a student housing complex. The Mortgage is interest only and has a maximum principal balance of \$20.4 million, of which, \$18.7 million was advanced in the initial funding. Initially, the Mortgage charged interest of 30-day average **SOFR Secured Overnight Financing Rate** plus a spread of 3.80%. In October 2022, the Mortgage was amended to charge interest of one-month Term SOFR plus a spread of 3.80%. The Mortgage matures in April 2025, subject to two one-year extension options.

The Mortgage contains events of default, subject to certain materiality thresholds and grace periods, customary for this type of financing arrangement. The remedies for such events of default are also customary for this type of transaction.

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In January 2023, Chapel Drive East, LLC, a wholly owned subsidiary of the FSU Student Venture, entered into a loan agreement (the "Construction Loan Agreement") with Oceanview Life and Annuity Company ("Oceanview") to finance the construction of a student housing complex (the "Construction Loan"). The Construction Loan is interest only and has a maximum principal balance

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of \$48.0 million. The Construction Loan charges one-month Term SOFR plus a spread of 6.00% and matures in February 2025, subject to three one-year extension options.

In addition to the Construction Loan, Chapel Drive East, LLC, entered into a financing agreement with Florida Pace Funding Agency to fund energy efficient building improvements and has a maximum principal balance of \$15.5 million. This agreement charges fixed interest of 7.26% and matures in July 2053. **Until July 2024, accrued interest will be added to the principal balance.** The Company does not guarantee this financing agreement.

In connection with the Company's investment in the student housing complex, ACRES RF entered into guarantees related to the Construction Loan. Pursuant to the guarantees, Jason Pollack, Frank Dellaglio and ACRES RF (collectively, the "Guarantors"), for the benefit of Oceanview, provided limited "bad boy" guaranties to Oceanview pursuant to the Construction Loan Agreement until the earlier of the payment in full of the indebtedness or the date of a sale of the property pursuant to a foreclosure of the mortgage or deed or other transfer in lieu of foreclosure is accepted by Oceanview. The Guarantors also entered into a Completion Guaranty Agreement for the benefit of Oceanview to guaranty the timely completion of the project in accordance with the Construction Loan Agreement, as well as a Carry Guaranty Agreement, for the benefit of Oceanview to guaranty unconditional payment by Chapel Drive East, LLC of all customary or necessary costs and expenses incurred in connection with the operation, maintenance and management of the property and an Environmental Indemnity Agreement jointly and severally in favor of Oceanview whereby the Guarantors provided environmental representations and warranties, covenants and indemnifications (collectively the "Guaranties"). The Guaranties include certain financial covenants required of ACRES RF, including required net worth and liquidity requirements.

#### **Corporate Debt**

##### **5.75% Senior Unsecured Notes Due 2026**

On August 16, 2021, the Company issued \$150.0 million of its 5.75% senior unsecured notes due 2026 (the "5.75% Senior Unsecured Notes") pursuant to its Indenture dated August 16, 2021 (the "Base Indenture"), between it and Wells Fargo, now Computershare Trust Company, N.A. ("CTC"), as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated August 16, 2021, between it and Wells Fargo (now CTC) (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"). Prior to May 15, 2026, the Company may at its option redeem the 5.75% Senior Unsecured Notes, in whole or in part, at a redemption price equal to the sum of (i) 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, and (ii) a make-whole premium. On or after May 15, 2026, the Company may at its option redeem the 5.75% Senior Unsecured Notes, at any time, in whole or in part, on not less than 15 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the 5.75% Senior Unsecured Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

##### **Unsecured Junior Subordinated Debentures**

During 2006, the Company formed RCT I and RCT II for the sole purpose of issuing and selling capital securities representing preferred beneficial interests. RCT I and RCT II are not consolidated into the Company's consolidated financial statements because the Company is not deemed to be the primary beneficiary of these entities. In connection with the issuance and sale of the capital securities, the Company issued junior subordinated debentures to RCT I and RCT II of \$25.8 million each, representing the Company's maximum exposure to loss. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II were included in borrowings and were amortized into interest expense on the consolidated statements of operations using the effective yield method over a ten year period.

There were no unamortized debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II outstanding at **June 30, 2024** **September 30, 2024** and December 31, 2023. The interest rates for RCT I and RCT II, at **June 30, 2024** **September 30, 2024**, were **9.51** **9.54**% and **9.54** **9.47**%, respectively. The interest rates for RCT I and RCT II, at December 31, 2023, were 9.61% and 9.60%, respectively.

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Contractual maturity dates of the Company's borrowings' principal outstanding by category and year are presented in the table below (in thousands):

	Total	2024	2025	2026	2027	2028 and Thereafter
<b>At June 30, 2024:</b>						
CRE securitizations	\$ 1,097,825	\$ —	\$ —	\$ —	\$ —	\$ 1,097,825
Senior Secured Financing Facility	63,099	—	—	—	49,599	13,500
CRE - term warehouse financing facilities <sup>(1)</sup>	165,092	73,112	—	91,980	—	—
Mortgages payable	65,277	—	49,767	—	—	15,510
5.75% Senior Unsecured Notes	150,000	—	—	150,000	—	—
Unsecured junior subordinated debentures	51,548	—	—	—	—	51,548
Total	<u>\$ 1,592,841</u>	<u>\$ 73,112</u>	<u>\$ 49,767</u>	<u>\$ 241,980</u>	<u>\$ 49,599</u>	<u>\$ 1,178,383</u>
	Total	2024	2025	2026	2027	2028 and Thereafter
<b>At September 30, 2024:</b>						
CRE securitizations	\$ 993,593	\$ —	\$ —	\$ —	\$ —	\$ 993,593
Senior Secured Financing Facility	63,099	—	—	—	50,996	12,103
CRE - term warehouse financing facilities <sup>(1)(2)</sup>	165,100	73,108	—	91,992	—	—
Mortgages payable	74,849	—	59,339	—	—	15,510
5.75% Senior Unsecured Notes	150,000	—	—	150,000	—	—
Unsecured junior subordinated debentures	51,548	—	—	—	—	51,548
Total	<u>\$ 1,498,189</u>	<u>\$ 73,108</u>	<u>\$ 59,339</u>	<u>\$ 241,992</u>	<u>\$ 50,996</u>	<u>\$ 1,072,754</u>

(1) Includes accrued interest payable in the balances of principal outstanding.

(2) In November 2024, the Company extended the Morgan Stanley Facility to November 2025.

**NOTE 11 - SHARE ISSUANCE AND REPURCHASE**

In May 2021, and subsequently in June 2021, the Company issued a total of 4.6 million shares of 7.875% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock") at a public offering price of \$25.00 per share. The Company received net proceeds of \$110.4 million after \$4.6 million of underwriting discounts and other offering expenses. Dividends are payable quarterly in arrears at the end of January, April, July and October. The Series D Preferred Stock has no maturity date and the Company is not required to redeem the Series D Preferred Stock at any time. On or after May 21, 2026, the Company may, at its option, redeem the Series D Preferred Stock, in whole or part, at any time and from time to time, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

On October 4, 2021, the Company and the Manager entered into an Equity Distribution Agreement with JonesTrading Institutional Services LLC, as placement agent ("JonesTrading"), pursuant to which the Company may issue and sell from time to time up to 2.2 million shares of the **7.875% Series D Cumulative Redeemable Preferred Stock** ("Series D Preferred **Stock, Stock**"). Sales of the Series D Preferred Stock may be made in transactions that are deemed to be "at the market" offerings, as defined in Rule 415 of the Securities Act of 1933, as amended, including without limitation, sales made directly on the New York Stock Exchange, on any other existing trading market for the shares or to

or through a market maker. Subject to the terms of the Company's notice, JonesTrading may also sell the shares by any other method permitted by law, including but not limited to in privately negotiated transactions. The Company will pay JonesTrading a commission up to 3.0% of the gross proceeds from the sales of the Series D Preferred Stock pursuant to the agreement. The terms and conditions of the agreement include various representations and warranties, conditions to closing, indemnification rights and obligations of the parties and termination provisions. During both the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and the year ended December 31, 2023, the Company did not issue any Series D Preferred Stock through this agreement.

On or after July 30, 2024, the Company may, at its option, redeem its 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock"), in whole or in part, at any time and from time to time, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date. Effective July 30, 2024 and thereafter, the Company will pay cumulative distributions on the Series C Preferred Stock at a floating rate equal to three-month Term SOFR **rate** plus a spread of 5.927% per annum based on the \$25.00 liquidation preference, provided that such floating rate shall not be less than the initial rate of 8.625% at any date of determination.

At **June 30, 2024** **September 30, 2024**, the Company had 4.8 million shares of Series C Preferred Stock and 4.5 million shares of Series D Preferred Stock outstanding, with weighted average issuance prices, excluding offering costs, of \$25.00.

In November 2021, the board of directors, (the "Board"), authorized and approved the continued use of its existing share repurchase program to repurchase an additional \$20.0 million of the outstanding shares of the Company's common stock. Under the share repurchase program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 and 10b5-1 of the Exchange Act. In November 2023, the Board authorized and approved the repurchase of an additional \$10.0 million of outstanding shares of both common and preferred stock.

During the **nine** months ended **September 30, 2024** and **2023**, the Company repurchased **\$5.3 million** and **\$2.7 million**, respectively, of its common stock, representing **424,243** and **298,457** shares, respectively. Additionally, during the **nine** months ended **September 30, 2024**, the Company repurchased **\$2.2 million**, or **100,000** shares, of its Series D Preferred Stock. At **September 30, 2024**, **\$2.3 million** of common and preferred stock remains available under this repurchase plan.

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During the **six** months ended **June 30, 2024** and **2023**, the Company repurchased **\$3.6 million** and **\$2.0 million**, respectively, of its common stock, representing **310,285** and **215,160** shares, respectively. Additionally, during the **six** months ended **June 30, 2024**, the Company repurchased **\$2.2 million**, or **100,000** shares, of its Series D Preferred Stock. At **June 30, 2024**, **\$4.1 million** of common and preferred stock remains available under this repurchase plan.

In connection with the Note and Warrant Purchase Agreement with Oaktree Capital Management, L.P. ("Oaktree") and Massachusetts Mutual Life Insurance Company ("MassMutual") dated July 31, 2020, the Company issued to Oaktree warrants to purchase 391,995 shares of common stock for an aggregate purchase price of \$42.0 million, and issued to MassMutual warrants to purchase 74,666 shares of common stock for an aggregate purchase price of \$8.0 million. The warrants are classified as equity and recorded in additional paid-in capital on the consolidated balance sheets at their fair value of \$3.1 million at issuance. The warrants are immediately exercisable on issuance at an exercise price of \$0.03 per share, subject to certain potential adjustments, and expire seven years from the issuance date. The holder of the warrants can exercise with cash or as a net exercise. In July 2022, MassMutual exercised their warrants to purchase 74,666 shares. At **June 30, 2024** **September 30, 2024**, the Oaktree warrants have not been exercised.

**NOTE 12 - SHARE-BASED COMPENSATION**

In June 2021, the Company's shareholders approved the ACRES Commercial Realty Corp. Third Amended and Restated Omnibus Equity Compensation Plan (the "Omnibus Plan") and the ACRES Commercial Realty Corp. Manager Incentive Plan (the "Manager Plan" and together with the Omnibus Plan, the "Plans"). The Omnibus Plan was amended to (i) increase the number of shares authorized for issuance by an additional 1,100,000 shares of common stock, less any shares of common stock issued or subject to awards granted under the Manager Plan; and (ii) extend the expiration date of the Omnibus Plan from June 2029 to June 2031. The maximum number of shares that may be subject to awards granted under the Plans, determined on a combined basis, will be 1,700,817 shares of common stock.

The Omnibus Plan and the Manager Plan are administered by the compensation committee of the Company's Board (the "Compensation Committee"). In 2020, the Compensation Committee and the Board created parameters for equity awards, whereby they are no longer discretionary but are now based upon the Company's achievement of performance parameters using book value of the common stock as the appropriate benchmark. See Note 16 for a description of awards made under the Manager Plan.



The Company recognized stock-based compensation expense of \$814,000 833,000 and \$1.3 2.1 million during the three and six nine months ended June 30, 2024 September 30, 2024 and \$719,000 482,000 and \$1.6 2.1 million, respectively, during the three and six nine months ended June 30, 2023 September 30, 2023, related to restricted stock.

In May 2024, the Company issued 295,237 shares of common stock to the Manager and 38,096 shares of common stock to the Company's directors (with the exception of Messrs. Fentress and Fogel) under the Plans after the Company reached the established per share book value target of \$27.00 per share. Each grant vests 25% per year over four years.

Under the Company's Fourth Amended and Restated Management Agreement, as amended ("Management Agreement"), incentive compensation is paid quarterly. Up to 75% of the incentive compensation may be paid in cash and at least 25% must be paid in the form of an award of common stock, recorded in management fees on the consolidated statements of operations. During the three and six nine months ended June 30, 2024 September 30, 2024, the Company incurred no incentive compensation payable to the Manager. At June 30, 2024 September 30, 2024, there was no amount included in Management fee payable - related party on the consolidated balance sheets. During the three and six nine months ended June 30, 2023 September 30, 2023, the Company incurred incentive compensation expense payable to the Manager of \$255,000 473,000 and \$384,000 857,000, respectively, of which 50% was paid in cash and 50% was payable in common stock.

The Company issued 1,911 shares of common stock to the Manager during the six nine months ended June 30, 2024 September 30, 2024, pertaining to the portion of the fourth quarter 2023 incentive compensation that was payable in shares. Shares of common stock issued under the Management Agreement for incentive compensation vest immediately upon issuance.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

**(unaudited)**

The following table summarizes the Company's restricted common stock transactions:

	Total Number of		Weighted-Average Grant-Date			Total Number of		Weighted-Average Grant-Date		
	Manager	Directors	Shares	Fair Value		Manager	Directors	Shares	Fair Value	
<b>Unvested shares at January 1, 2024</b>	375,001	41,674	416,675	\$ 14.07		375,001	41,674	416,675	\$ 14.07	
Issued	297,148	38,096	335,244	13.90		297,148	38,096	335,244	13.90	
Vested	(151,909)	(25,472)	(177,381)	14.52		(151,909)	(25,472)	(177,381)	14.52	
<b>Unvested shares at June 30, 2024</b>	<u>520,240</u>	<u>54,298</u>	<u>574,538</u>	<u>\$ 13.83</u>						
<b>Unvested shares at September 30, 2024</b>	<u>520,240</u>	<u>54,298</u>	<u>574,538</u>	<u>\$ 13.83</u>						

The unvested restricted common stock shares are expected to vest during the following years:

	Shares
2024	—
2025	245,952
2026	164,293
2027	82,139
2028	82,154
<b>Total</b>	<u>574,538</u>

At June 30, 2024, total unrecognized compensation costs relating to unvested restricted stock was \$5.3 million based on the grant date fair value of shares granted. The cost is expected to be recognized over a weighted average period of 3.4 years.

**NOTE 13 - EARNINGS PER SHARE**

The following table presents a reconciliation of basic and diluted income (losses) per common share for the periods presented (dollars in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Net income</b>	\$ 6,397	\$ 5,558	\$ 11,321	\$ 7,851
Net income allocated to preferred shares	(4,806)	(4,856)	(9,628)	(9,711)
Carrying value in excess of consideration paid for preferred shares	—	—	242	—
Net loss allocable to non-controlling interest, net of taxes	62	115	274	261
<b>Net income (loss) allocable to common shares</b>	<u>\$ 1,653</u>	<u>\$ 817</u>	<u>\$ 2,209</u>	<u>\$ (1,599)</u>
<b>Weighted average number of common shares outstanding:</b>				
Weighted average number of common shares outstanding - basic	7,272,082	8,059,978	7,317,109	8,084,064
Weighted average number of warrants outstanding <sup>(1)</sup>	391,995	391,995	391,995	391,995
Total weighted average number of common shares outstanding - basic	<u>7,664,077</u>	<u>8,451,973</u>	<u>7,709,104</u>	<u>8,476,059</u>
Effect of dilutive securities - unvested restricted stock	177,676	82,585	228,680	—
Weighted average number of common shares outstanding - diluted	<u>7,841,753</u>	<u>8,534,558</u>	<u>7,937,784</u>	<u>8,476,059</u>
Net income (loss) per common share - basic	\$ 0.22	\$ 0.10	\$ 0.29	\$ (0.19)
Net income (loss) per common share - diluted	\$ 0.21	\$ 0.10	\$ 0.28	\$ (0.19)

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ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

June September 30, 2024

(unaudited)

The unvested restricted common stock shares are expected to vest during the following years:

	Shares
2024	—
2025	245,952
2026	164,293
2027	82,139
2028	82,154
Total	<u>574,538</u>

At September 30, 2024, total unrecognized compensation costs relating to unvested restricted stock was \$4.4 million based on the grant date fair value of shares granted. The cost is expected to be recognized over a weighted average period of 3.2 years.

**NOTE 13 - EARNINGS PER SHARE**

The following table presents a reconciliation of basic and diluted income per common share for the periods presented (dollars in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net income</b>	\$ 8,054	\$ 7,567	\$ 19,375	\$ 15,418
Net income allocated to preferred shares	(5,318)	(4,855)	(14,946)	(14,566)

Carrying value in excess of consideration paid for preferred shares	—	—	242	—
Net loss allocable to non-controlling interest, net of taxes	88	158	362	419
<b>Net income allocable to common shares</b>	<b>\$ 2,824</b>	<b>\$ 2,870</b>	<b>\$ 5,033</b>	<b>\$ 1,271</b>
<b>Weighted average number of common shares outstanding:</b>				
Weighted average number of common shares outstanding - basic	7,277,056	8,064,889	7,303,661	8,077,602
Weighted average number of warrants outstanding <sup>(1)</sup>	391,995	391,995	391,995	391,995
Total weighted average number of common shares outstanding - basic	7,669,051	8,456,884	7,695,656	8,469,597
Effect of dilutive securities - unvested restricted stock	276,571	135,672	244,643	140,082
Weighted average number of common shares outstanding - diluted	7,945,622	8,592,556	7,940,299	8,609,679
Net income per common share - basic	\$ 0.37	\$ 0.34	\$ 0.65	\$ 0.15
Net income per common share - diluted	\$ 0.36	\$ 0.33	\$ 0.63	\$ 0.15

(1) See Note 11 for further details regarding the warrants.

#### NOTE 14 - DISTRIBUTIONS

In order to qualify as a REIT, the Company must distribute at least 90% of its taxable income. In addition, the Company must distribute 100% of its taxable income in order to not be subject to corporate federal income **taxes on retained income, taxes.** The Company anticipates it will distribute substantially all of its taxable income to its **stockholders, stockholders, after accounting for the net usage of its deferred tax assets.** Because taxable income differs from cash flow from operations due to non-cash revenues or expenses (such as provisions for loan and lease losses and depreciation) and tax loss carryforwards, in certain circumstances the Company may generate operating cash flow in excess of its distributions or, alternatively, may be required to borrow funds to make sufficient distribution payments.

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#### ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

September 30, 2024

(unaudited)

The Company's 2024 distributions are, and will be, determined by the Company's Board, which will also consider the composition of any distributions declared, including the option of paying a portion in cash and the balance in additional shares of common stock.

For the three and **six** nine months ended **June 30, 2024** **September 30, 2024** and 2023, the Company did not pay any common share distributions.

The following table presents distributions declared (on a per share basis) for the **six** nine months ended **June 30, 2024** **September 30, 2024** and the year ended December 31, 2023 with respect to the Company's Series C Preferred Stock and Series D Preferred Stock:

2024	Series C Preferred Stock				Series D Preferred Stock				Series C Preferred Stock			Series D Preferred Stock		
	Total			Distribution	Total			Distribution	Total		Distribution	Total		Distribution
	Distribution		Distribution		Distribution		Distribution							
	Date Paid	Paid	Per Share	Date Paid	Paid	Per Share	Date Paid	Paid	Per Share	Date Paid	Paid	Per Share		
	(in thousands)			(in thousands)			(in thousands)			(in thousands)				
September 30	October 30	\$ 3,355	\$ 0.6988981	October 30	\$ 2,219	\$ 0.4921875								
June 30	July 31	\$ 2,587	\$ 0.5390625	July 31	\$ 2,219	\$ 0.4921875	July 30	2,587	0.5390625	July 30	2,219	0.4921875		
March 31	April 30	2,588	0.5390625	April 30	2,219	0.4921875	April 30	2,588	0.5390625	April 30	2,219	0.4921875		
2023														

December 31	January 30, 2024	\$ 2,588	\$ 0.5390625	January 30, 2024	\$ 2,268	\$ 0.4921875	January 30, 2024	\$ 2,588	\$ 0.5390625	January 30, 2024	\$ 2,268	\$ 0.4921875
September 30	October 30	2,587	0.5390625	October 30	2,268	0.4921875	October 30	2,587	0.5390625	October 30	2,268	0.4921875
June 30	July 31	2,588	0.5390625	July 31	2,268	0.4921875	July 31	2,588	0.5390625	July 31	2,268	0.4921875
March 31	May 1	2,587	0.5390625	May 1	2,268	0.4921875	May 1	2,587	0.5390625	May 1	2,268	0.4921875

#### NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in net unrealized loss on derivatives, the sole component of accumulated other comprehensive loss, for the **six nine** months ended **June 30, 2024** **September 30, 2024** (in thousands):

	Accumulated Other Comprehensive Loss - Net Unrealized Loss on Derivatives	Accumulated Other Comprehensive Loss - Net Unrealized Loss on Derivatives
<b>Balance at January 1, 2024</b>	\$ (4,801)	\$ (4,801)
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	795	1,196
<b>Balance at June 30, 2024</b>	\$ (4,006)	
<b>Balance at September 30, 2024</b>	\$ (3,605)	

(1) Amounts reclassified from accumulated other comprehensive loss are reclassified to interest expense on the Company's consolidated statements of operations.

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#### ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### June 30, 2024

#### (unaudited)

#### NOTE 16 - RELATED PARTY TRANSACTIONS

*Relationship with ACRES Capital Corp. and certain of its Subsidiaries.* The Manager is a subsidiary of ACRES Capital Corp., of which Andrew Fentress, the Company's Chairman, serves as Managing Partner, and Mark Fogel, the Company's President, Chief Executive Officer and Director, serves as Chief Executive Officer and President. Mr. Fentress and Mr. Fogel are also shareholders and board members of ACRES Capital Corp.

Effective on July 31, 2020, the Company has a Management Agreement with the Manager pursuant to which the Manager provides the day-to-day management of the Company's operations and receives management fees. For the three and **six nine** months ended **June 30, 2024**, **September 30, 2024** and **2023**, the Manager earned base management fees of \$1.6 million and \$3.2 million, respectively. For the three and six months ended June 30, 2023, the Manager earned base management fees of \$1.7 million and **\$3.3** **4.9** million, respectively.

For the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, the Manager did **notnot** earn an incentive management fee. For the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Manager earned incentive management fees of **\$255,000** **473,000** and **\$84,000** **857,000**, respectively, of which 50% was paid in cash and 50% was paid in common stock.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**September 30, 2024**

**(unaudited)**

At **June 30, 2024** **September 30, 2024** and December 31, 2023, \$540,000 and \$546,000, respectively, of base management fees were payable by the Company to the Manager. At **June 30, 2024** **September 30, 2024**, there was no incentive management fee payable and at December 31, 2023, there was \$38,000 of incentive management fees payable by the Company to the Manager.

The Manager and its affiliates **provides provide** the Company with a Chief Financial Officer and a sufficient number of additional accounting, finance, tax and investor relations professionals. The Company reimburses the Manager's expenses for (a) the wages, salaries and benefits of the Chief Financial Officer, and (b) a portion of the wages, salaries and benefits of accounting, finance, tax, and investor relations professionals, in proportion to such personnel's percentage of time allocated to the Company's operations. The Company reimburses out-of-pocket expenses and certain other costs incurred by the Manager that related directly to the Company's operations. These costs are recorded in general and administrative expenses on the consolidated **statement statements** of operations.

The Company reimbursed the Manager \$1.1 million and **\$2.6 3.7** million, for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, and **\$1.4 670,000 million** and **\$2.3 3.0** million, for the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively, for all such compensation and costs. At **June 30, 2024** **September 30, 2024** and December 31, 2023, the Company had payables to the Manager pursuant to the Management Agreement totaling **\$329,000 212,000** and \$686,000, respectively, related to such compensation and costs. The Company's base management fee payable and incentive management fee payable were recorded in management fee payable while expense reimbursement payables were recorded in accounts payable and other liabilities on the consolidated balance sheets, respectively.

On July 31, 2020, ACRES RF, a direct, wholly owned subsidiary of the Company, provided a \$12.0 million loan (the "ACRES Loan") to ACRES Capital Corp. evidenced by the promissory note from ACRES Capital Corp.

The ACRES Loan accrues interest at 3.00% per annum payable monthly. The monthly amortization payment is \$25,000. The ACRES Loan matures in July 2026, subject to two one-year extensions (at ACRES Capital Corp.'s option) subject to the payment of a 0.5% extension fee to ACRES RF on the outstanding principal amount of the ACRES Loan.

The Company recorded interest income of **\$82,000 83,000** and **\$166,000 248,000** for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, and \$85,000 and **\$169,000 254,000** for the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively, on the ACRES Loan in other income (expense) on the consolidated statements of operations. At **June 30, 2024** **September 30, 2024** and December 31, 2023, the ACRES Loan had a principal balance of **\$10.9 10.8** million and \$11.0 million, respectively, recorded in loan receivable - **related party due from Manager** on the consolidated balance sheets. At **June 30, 2024** **September 30, 2024** and December 31, 2023, the ACRES Loan had **\$27,000 and** no accrued interest **receivable, respectively. receivable.**

At **June 30, 2024** **September 30, 2024**, the Company retained equity in two securitization entities that were structured for the Company by the Manager. Under the Management Agreement, the Manager was not separately compensated by the Company for executing this transaction and was not separately compensated for managing the securitization entity and its assets.

*Relationship with ACRES Capital Servicing LLC.* Under the MassMutual Loan Agreement, ACRES Capital Servicing LLC ("ACRES Capital Servicing"), an affiliate of ACRES Capital Corp. and the Manager, serves as the portfolio servicer. Additionally, ACRES Capital Servicing serves as special servicer of ACR 2021-FL1 and ACR 2021-FL2.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

**(unaudited)**

During the three and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, ACRES Capital Servicing received no portfolio servicing fees and earned **\$11,000 298,000** and **\$26,000 324,000**, and **\$20,000 26,000** and **\$65,000 91,000**, respectively, in special servicing fees, of which \$4,000 and **\$7,000 11,000** and **\$12,000 9,000** and **\$47,000 56,000**, respectively, was recorded as a reduction to interest income in the consolidated statements of operations.

*Relationship with ACRES Commercial Mortgage, LLC.* During the year ended December 31, 2023, subsequent to approval from its Board, the Company purchased a participation for \$22.5 million in one CRE whole loan from ACRES Commercial Mortgage, LLC, an affiliate of ACRES Capital Corp. and the Manager. There was no activity for the **six nine** months ended **June 30, 2024** **September 30, 2024**.

*Relationship with ACRES Collateral Manager, LLC.* ACRES Collateral Manager, LLC, an affiliate of ACRES Capital Corp. and the Manager, serves as the collateral manager of ACR 2021-FL1 and ACR 2021-FL2, a role for which it waived its fee.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**September 30, 2024**

**(unaudited)**

*Relationship with ACRES Development Management, LLC.* ACRES Development Management, LLC ("DevCo") is a wholly owned subsidiary of ACRES Capital Corp., the parent of the Manager. DevCo acts in various capacities as a co-developer or owner's representative for direct equity investments within the Company's portfolio. In November 2021, December 2021 and April 2022, the joint venture entities of the three CRE equity investments acquired through direct investment entered into development agreements with DevCo (the "Development Agreements").

Pursuant to the Development Agreements, DevCo agreed to manage the development of the projects associated with each equity investment in accordance with a development standard in exchange for fees equal to between 1.25% and 1.5% of all project costs. The Company incurred and paid fees for services rendered under these agreements of **\$82,000** **165,000** and **\$206,000** **371,000** for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, and **\$91,000** **182,000** and **\$145,000** **327,000** for the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively.

*Relationship with ACRES Share Holdings, LLC.* During the **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company issued 1,911 shares to ACRES Share Holdings, LLC in connection with the incentive compensation payable to the Manager under the Management Agreement. There was no activity for the three months ended **June 30, 2024** **September 30, 2024**. The shares vested fully upon issuance pursuant to the Management Agreement.

During the **three and six nine** months ended **June 30, 2024** **September 30, 2024**, the Company issued 295,237 restricted shares of common stock under the Manager Plan to ACRES Share Holdings, LLC after **hitting meeting** the established per share book value hurdle. This grant vests 25% per year over four years. See Note 12 for further details. **There was no activity for the three months ended September 30, 2024.**

*Relationship with McCallum JV.* In September 2024, ACRES RF, a direct, wholly owned subsidiary, entered into a \$33.7 million senior loan commitment and a \$1.5 million mezzanine loan commitment with McCallum JV in which the Company holds a 50% interest. The loan has an initial maturity date of September 5, 2027, with a rate of one-month Term SOFR plus a spread of 2.75%. At September 30, 2024, the outstanding balance on the senior loan was \$31.5 million, and no amounts have been funded on the mezzanine loan.

**NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company had no financial instruments carried at fair value on a recurring basis at either **June 30, 2024** **September 30, 2024** and December 31, 2023.

The Company measures the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying value of the assets may be impaired. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or write-downs of an asset's value due to impairment.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company received **a one** deed-in-lieu of foreclosure on a property **and foreclosed on a second property** that **each** formerly collateralized a CRE whole loan. Upon receipt, the **property was properties were** immediately contributed to **a joint venture, ventures**, and the Company's investment in **that those joint venture is ventures are** included in investments in unconsolidated entities on the consolidated balance sheet. The **first** property was appraised and determined to have a fair value of \$20.3 million at the time of acquisition. Fair value was determined using a discounted cash flow valuation technique, with the significant unobservable inputs being an internal rate of return of 8.50% and a terminal cap rate of 7.00%. The **second property was appraised and determined to have a fair value of \$32.0 million** at the time of acquisition. Fair value was determined using an **income capitalization valuation technique**, with the significant unobservable inputs being a terminal cap rate of **this 6.00%**.

**Additionally, two properties were acquired through foreclosure that each formerly collateralized a CRE whole loan. The first property was determined to have a fair value of \$17.5 million at the time of acquisition and was immediately classified as a property held for sale on the Company's consolidated balance sheets. The property's value was**

determined from a range of offers received to purchase the property. The second property was appraised and determined to have a value of \$9.8 million at the time of acquisition. Fair value was determined using an income approach valuation technique, with the significant unobservable input being a terminal cap rate of 6.25%. The valuation of these properties fell under Level 3 of the fair value hierarchy.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**September 30, 2024**

**(unaudited)**

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair values of the Company's short-term financial instruments such as cash and cash equivalents, restricted cash, accrued interest receivable, principal paydowns receivable, accounts payable and other liabilities, accrued interest payable and distributions payable approximate their carrying values on the consolidated balance sheets. The fair values of the Company's other financial assets and liabilities are estimated as follows:

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**June 30, 2024**

**(unaudited)**

*CRE whole loans.* The fair values of the Company's loans held for investment are measured by discounting the expected future cash flows using the current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Par values of loans with variable interest rates are expected to approximate fair value unless evidence of credit deterioration exists, in which case the fair value approximates the par value less the loan's allowance estimated through individual evaluation. The Company's floating-rate CRE loans had interest rates from 7.88 7.75% to 13.94 13.79% and 7.88% to 13.96% at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

*CRE mezzanine loan.* Historically, this was measured by discounting the expected remaining cash flows using the current interest rates at which similar instruments would be originated for the same remaining maturity. The Company's mezzanine loan was fully reserved and had no carrying or fair value at June 30, 2024 September 30, 2024 or December 31, 2023.

*Loan receivable- related party, due from Manager.* This is estimated using a discounted cash flow model.

*Senior notes in CRE securitizations, 5.75% Senior Unsecured Notes and junior subordinated notes.* These are estimated using a discounted cash flow model with implied yields based on trades for similar securities.

*Senior secured financing facility, warehouse financing facilities and mortgages payable.* These are variable-rate debt instruments that are indexed to one-month Term SOFR that reset periodically and as a result, their carrying value approximates their fair value, excluding deferred debt issuance costs.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**September 30, 2024**  
**(unaudited)**

The fair values of the Company's financial and non-financial assets that are not reported at fair value on the consolidated balance sheets are reported in the following table (in thousands):

	Carrying Value	Fair Value Measurements			
		Fair Value <sup>(1)</sup>	Quoted Prices in Active		
			Markets for Identical Assets of Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At June 30, 2024:					
Assets:					
CRE whole loans	\$ 1,678,721	\$ 1,712,987	\$ —	\$ —	\$ 1,712,987
Loan receivable - related party	10,850	8,804	—	—	8,804
Liabilities:					
Senior notes in CRE securitizations	1,093,953	1,074,687	—	—	1,074,687
Senior secured financing facility	60,539	63,099	—	—	63,099
Warehouse financing facilities	163,517	165,092	—	—	165,092
Mortgages payable	64,002	65,277	—	—	65,277
5.75% Senior Unsecured Notes	148,472	142,785	—	—	142,785
Junior subordinated notes	51,548	39,939	—	—	39,939
At December 31, 2023:					
Assets:					
CRE whole loans	\$ 1,828,336	\$ 1,858,265	\$ —	\$ —	\$ 1,858,265
Loan receivable - related party	10,975	8,598	—	—	8,598
Liabilities:					
Senior notes in CRE securitizations	1,204,570	1,163,048	—	—	1,163,048
Senior secured financing facility	61,568	64,495	—	—	64,495
Warehouse financing facilities	168,588	170,861	—	—	170,861
Mortgages payable	41,786	43,779	—	—	43,779
5.75% Senior Unsecured Notes	148,140	138,795	—	—	138,795
Junior subordinated notes	51,548	38,406	—	—	38,406

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**June 30, 2024**  
**(unaudited)**

Fair Value Measurements					



	Carrying Value	Fair Value <sup>(1)</sup>	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At September 30, 2024:</b>					
Assets:					
CRE whole loans	\$ 1,545,817	\$ 1,578,566	\$ —	\$ —	\$ 1,578,566
Loan receivable - related party	10,750	9,052	—	—	9,052
Liabilities:					
Senior notes in CRE securitizations	990,520	981,805	—	—	981,805
Senior secured financing facility	60,724	63,099	—	—	63,099
Warehouse financing facilities	163,880	165,100	—	—	165,100
Mortgages payable	73,916	74,849	—	—	74,849
5.75% Senior Unsecured Notes	148,641	145,785	—	—	145,785
Junior subordinated notes	51,548	40,107	—	—	40,107
<b>At December 31, 2023:</b>					
Assets:					
CRE whole loans	\$ 1,828,336	\$ 1,858,265	\$ —	\$ —	\$ 1,858,265
Loan receivable - related party	10,975	8,598	—	—	8,598
Liabilities:					
Senior notes in CRE securitizations	1,204,570	1,163,048	—	—	1,163,048
Senior secured financing facility	61,568	64,495	—	—	64,495
Warehouse financing facilities	168,588	170,861	—	—	170,861
Mortgages payable	41,786	43,779	—	—	43,779
5.75% Senior Unsecured Notes	148,140	138,795	—	—	138,795
Junior subordinated notes	51,548	38,406	—	—	38,406

(1) The fair values reflected in the table above represent management's best estimate of the fair value of the financial instruments and have no impact on the Company's performance or cash flows.

#### NOTE 18 - MARKET RISK AND DERIVATIVE INSTRUMENTS

The Company is affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company's financial performance and are referred to as "market risks." When deemed appropriate, the Company may use derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative instruments were interest rate risk and market price risk.

The Company also historically managed its interest rate risk with interest rate swaps. Interest rate swaps are contracts between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices.

The Company seeks to manage the extent to which net income changes as a function of changes in interest rates by matching adjustable-rate assets with variable-rate borrowings.

The Company classified its interest rate swap contracts as cash flow hedges, which are hedges that eliminate the risk of changes in the cash flows of a financial asset or liability.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
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**(unaudited)**

The Company terminated all of its interest rate swap positions associated with its financed CMBS portfolio in April 2020. At termination, the Company realized a loss of \$11.8 million. At **June 30, 2024** **September 30, 2024** and December 31, 2023, the Company had losses of **\$4.13.7** million and \$5.0 million, respectively, recorded in accumulated other comprehensive loss, which will be amortized into earnings over the remaining life of the debt. During the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company recorded amortization expense of **\$420,000** **425,000** and **\$840,000** **1.3**, million, respectively, reported in interest expense on the consolidated statements of operations. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company recorded amortization expense of **\$420,000** **425,000** and **\$835,000** **1.3**, million, reported in interest expense on the consolidated statements of operations.

At **June 30, 2024** **September 30, 2024** and December 31, 2023, the Company had an unrealized gain of **\$119,000** **96,000** and \$164,000, respectively, attributable to two terminated interest rate swaps in accumulated other comprehensive loss on the consolidated balance sheets, to be accreted into earnings over the remaining life of the debt. For each of the three months ended **June 30, 2024** **September 30, 2024** and 2023, the Company recorded accretion income, reported in interest expense on the consolidated statements of operations, of \$23,000 to accrete the accumulated other comprehensive income on the terminated swap agreements. For the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, the Company recorded accretion income, reported in interest expense on the consolidated statements of operations, of **\$46,000** **69,000** and **\$45,000** **68,000**, respectively, to accrete the accumulated other comprehensive income on the terminated swap agreements.

The following table presents the effect of the derivative instruments on the consolidated statements of operations for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands):

		Realized and Unrealized Gain (Loss) <sup>(1)</sup>	
		Six Months Ended June 30,	
		Six Months Ended June 30, 2024	2023
Consolidated Statements of Operations Location			
Interest rate swap contracts, hedging	Interest expense	\$ (795)	\$ (790)

		Realized and Unrealized Gain (Loss) <sup>(1)</sup>	
		Nine Months Ended	
		Nine Months Ended September 30, 2024	September 30, 2023
Consolidated Statements of Operations Location			
Interest rate swap contracts, hedging	Interest expense	\$ (1,196)	\$ (1,192)

(1) Negative values indicate a decrease to the associated consolidated statement of operations line items.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**June 30, 2024**  
**(unaudited)**

**NOTE 19 - OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

The following table presents a summary of the Company's offsetting of financial liabilities (in thousands, except amounts in footnotes):

(i) Gross Amounts	(ii) Gross Amounts Offset on the	(iii) = (i) - (ii) Net Amounts of Liabilities Presented on the	(iv) Gross Amounts Not Offset on the Consolidated Balance Sheets		(v) = (iii) - (iv) Net Amount	of Recognized Liabilities	(ii) Gross Amounts Offset on the	(iii) = (i) - (ii) Net Amounts of Liabilities Presented on the	(iv) Gross Amounts Not Offset on the Consolidated Balance Sheets		(v) = (iii) - (iv) Net Amount
	Consolidated Balance Sheets	Consolidated Balance Sheets	Financial Instruments	Cash Collateral Pledged			Consolidated Balance Sheets	Consolidated Balance Sheets	Financial Instruments	Cash Collateral Pledged	
			(1)						(1)		

<b>At June 30, 2024:</b>													
<b>At September 30, 2024:</b>													
Warehouse financing facilities <sup>(2)</sup>	\$ 165,092	\$ —	\$ 165,092	\$ 165,092	\$ —	\$ —	\$ 163,880	\$ —	\$ 163,880	\$ 163,880	\$ —	\$ —	
<b>At December 31, 2023:</b>													
Warehouse financing facilities <sup>(2)</sup>	\$ 168,588	\$ —	\$ 168,588	\$ 168,588	\$ —	\$ —	\$ 168,588	\$ —	\$ 168,588	\$ 168,588	\$ —	\$ —	

- (1) Amounts represent financial instruments pledged that are available to be offset against liability balances associated with warehouse financing facilities and repurchase agreements.
- (2) The combined fair values of loans pledged against the Company's various warehouse financing facilities and repurchase agreements was \$262.7 million and \$254.1 million at June 30, 2024 and December 31, 2023, respectively.

All balances associated with warehouse financing facilities are presented on a gross basis on the Company's consolidated balance sheets.

Certain of the Company's warehouse financing facilities are governed by underlying agreements that generally provide for a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

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**ACRES COMMERCIAL REALTY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**September 30, 2024**  
**(unaudited)**

**NOTE 20 - COMMITMENTS AND CONTINGENCIES**

The Company may become involved in litigation on various matters due to the nature of the Company's business activities. The resolution of these matters may result in adverse judgments, fines, penalties, injunctions and other relief against the Company as well as monetary payments or other agreements and obligations. In addition, the Company may enter into settlements on certain matters in order to avoid the additional costs of engaging in litigation. The Company is unaware of any contingencies arising from such litigation that would require accrual or disclosure in the consolidated financial statements at June 30, 2024 and September 30, 2024.

The Company did not have any general litigation reserve at June 30, 2024 and September 30, 2024 or December 31, 2023.

**Other Guarantees**

See description of Mortgages Payable in Note 10.

**Unfunded Commitments**

Unfunded commitments on the Company's originated CRE loans generally fall into two categories: (1) pre-approved capital improvement projects and (2) new or additional construction costs subject, in each case, to the borrower meeting specified criteria. Upon completion of the improvements or construction, the Company would receive additional interest income on the advanced amount. Whole loans had \$89.1 million and \$109.4 million in unfunded loan commitments at June 30, 2024 and September 30, 2024 and December 31, 2023, respectively.

**NOTE 21 - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through the filing of this report and determined that there have not been any events, other than those described in Notes 6 and 7 and Note 10 that have occurred that would require adjustments to or disclosures in the consolidated financial statements.

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

References in this quarterly report to "we," "us" or the "Company" refer to ACRES Commercial Realty Corp. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes appearing elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

### Special Note Regarding Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "continue," "expect," "intend," "anticipate," "estimate," "believe," "look forward" or other similar words or terms. Because such statements include risks, uncertainties and contingencies, actual results may differ materially from the expectations, intentions, beliefs, plans or predictions of the future expressed or implied by such forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, including, without limitation, factors impacting whether we will be able to maintain our sources of liquidity and whether we will be able to identify sufficient suitable investments to increase our originations, please refer to the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the U.S. Securities and Exchange Commission (the "SEC"). Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

### Overview

We are a Maryland corporation and an externally managed real estate investment trust ("REIT") that is primarily focused on originating, holding and managing commercial real estate ("CRE") mortgage loans and equity investments in commercial real estate properties through direct ownership and joint ventures. Our manager is ACRES Capital, LLC (our "Manager"), a subsidiary of ACRES Capital Corp. (collectively, "ACRES"), a private commercial real estate lender exclusively dedicated to nationwide middle market CRE lending with a focus on multifamily, student housing, hospitality, office and industrial **property properties** in top United States ("U.S.") markets. Our Manager draws upon the management team of ACRES and its collective investment experience to provide its services. Our longer term objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategies as well as to maximize long-term stockholder value by maintaining stability through our available liquidity and diversified CRE loan portfolio. Our short term strategy is to drive book value ("BV") growth over the coming years by utilizing our NOL carryforwards of **\$46.6 million \$32.1 million** and a portion of our net capital loss carryforwards of \$121.9 million, each at **June 30, 2024 September 30, 2024**. By retaining future earnings, we can grow our investable base and selectively deploy the anticipated capital growth into new whole loan originations at attractive yields, which we expect will grow our earnings available for distribution.

Currently, markets are grappling with inflation and the prospect of having higher interest rates for longer than originally forecasted. These market pressures have caused continued disruption in many market segments, including the financial services, real estate and credit markets and these disruptions have affected the availability and the cost of capital. The increase in the cost of capital is expected to cause dislocations in various investment and financing markets in which we participate as we and other market participants adjust to the new financing environment.

The U.S. Federal Reserve raised the Federal Funds rate by 5.25% in 11 rate hikes between March 2022 and July 2023 to combat inflation. While the U.S. Federal Reserve has **signaled they may lower lowered** rates in **September 2024**, there is no certainty with respect to the timing and pace of potential **future** decreases or if such decreases will **continue to** occur. Interest rates may remain at or near recent highs, which creates further uncertainty for the economy and our borrowers. A rising interest rate environment generally correlates to increases in our net income. However, increases in interest rates may adversely affect our existing borrowers and could lead to nonperformance, i.e. the borrower's inability to pay debt service. **Additionally, rising Lowering** rates and **increasing decreasing** costs may **discourage encourage** consumer spending and **slow accelerate** corporate profit growth, which may **negatively positively** impact the collateral underlying our loans and **positively** impact our borrowers' ability to sell or refinance in the current market.

Additionally, the office property market continues to experience high vacancies, slower leasing activity and current tenants reevaluating their needs for physical office space due to remote-work trends across the country. These factors, coupled with inflation, **historically higher** interest rates **projected longer than originally expected** and dislocations in market liquidity, have converged to create higher levels of uncertainty surrounding property values, which in turn, also negatively impact borrowers' ability and willingness to financially support **and standby their**

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and standby their investments in their office properties, their abilities to sell or refinance their positions in the current market and ultimately our financial results.

In response, we continue to manage corporate liquidity actively and responsibly, manage our CRE assets through a solutions-based approach with our borrowers and manage our daily operations in light of changing macroeconomic circumstances. Our Manager also continuously monitors for new capital opportunities and selectively executes on agreements that are expected to enhance our returns.

We originate transitional floating-rate CRE loans with a target size of between \$10.0 million and \$100.0 million. During the six nine months ended June 30, 2024 September 30, 2024, we did not originate any new floating-rate CRE loans. Loan payoffs during the six nine months ended June 30, 2024 September 30, 2024 were \$152.0 million \$270.1 million, along with loan foreclosures of \$37.7 million, offset by net funded commitments of \$20.7 million \$28.1 million, producing a net decrease to the portfolio of \$131.3 million \$279.7 million. During the year ended December 31, 2023, we selectively originated three floating-rate CRE whole loans with total commitments of \$68.2 million. Loan payoffs during the year ended December 31, 2023 were \$293.1 million, offset by net funded commitments of \$40.5 million, producing a net decrease to the portfolio of \$184.4 million.

Our CRE loan portfolio, which had carrying values of \$1.7 billion \$1.5 billion and \$1.8 billion at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, comprised:

- First mortgage loans, which we refer to as whole loans. These loans are typically secured by first liens on CRE property, including the following property type multifamily, student housing, hospitality, office, self-storage and retail. All but four of our CRE whole loans were current on contractual payments at June 2024 September 30, 2024.
- Mezzanine debt that is senior to borrower's equity but is subordinated to other third-party debt. These loans are subordinated CRE loans, usually secured by a pledge the borrower's equity ownership in the entity that owns the property or by a second lien mortgage on the property. At both June 30, 2024 September 30, 2024 December 31, 2023, we had one mezzanine loan included in CRE loans held for investment that had no carrying value. This mezzanine loan was not current contractual payments at June 30, 2024 September 30, 2024.

We generate our income primarily from the spread between the revenues we receive from our assets and the cost to finance our ownership of those assets, including corporate debt.

While the CRE whole loans included in the CRE loan portfolio are substantially composed of floating-rate loans benchmarked to the one-month Term Secured Overnight Financing Rate ("Term SOFR"), asset yields are protected through the use of benchmark floors and minimum interest periods that typically range from 12 to 18 months at the time of a loan's origination. Our benchmark floors provide asset yield protection when the benchmark rate falls below an in-place benchmark floor. Our net investment returns are enhanced by a decline in the cost of our floating-rate liabilities that do not have benchmark floors. Our net investment returns will be negatively impacted by the rising cost of our floating-rate liabilities that do not have floors until the benchmark rate is above the benchmark floor, at which point our floating-rate loans and floating-rate liabilities will be match-funded, effectively locking in our net interest margin until the benchmark floor rate is activated again or the floating-rate loan is paid off or refinanced.

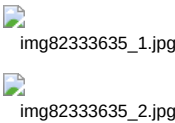
In a business environment where benchmark rates are increasing significantly, cash flows of the CRE assets underlying our loans may not be sufficient to pay debt service on our loans, which could result in non-performance or default. We partially mitigate this risk by generally requiring our borrowers to purchase interest rate cap agreements with non-affiliated, well-capitalized third parties and by selectively requiring our borrowers to have and maintain debt service reserves. These interest rate caps generally mature prior to the maturity date of the loan and the borrowers are required to pay to extend them. In most certain cases, the sponsors will need to fund additional equity into the properties to cover these costs as the property may not generate sufficient cash flow to pay these costs. At June 30, 2024 September 30, 2024, 86% 76% of the par value of our CRE loan portfolio had interest rate caps or funded debt service reserves in place with a weighted-average maturity of four six months.

At June 30, 2024 September 30, 2024, our par-value \$1.7 billion \$1.6 billion floating-rate CRE loan portfolio had a weighted average benchmark floor of 0.75% 0.85%, while at December 31, 2023, this floor was 0.70%. With the historical trend of rising benchmark rates, we have seen the coupons on all of our floating-rate assets and debt rise accordingly. Because we have equity invested in each floating-rate loan, and because in all instances the benchmark interest rates are above our loan floors, the rise in interest rates resulted in an increase in our net interest income. income, which was offset due to the decrease in our floating-rate CRE loan portfolio. See "Interest Rate Risk" in "Item 3: Quantitative and Qualitative Disclosures About Market Risk."

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Our portfolio comprises loans with a diverse array of collateral types and locations. Multifamily continues to comprise the majority of our portfolio, with 79.4% of our portfolio allocated to multifamily at **June 30, 2024** **September 30, 2024** and 79.6% at December 31, 2023. The following charts show our portfolio allocation by property type at **June 30, 2024** **September 30, 2024** and December 31, 2023:



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From time to time, we may acquire real estate property through direct equity investments or as a result of our lending activities. During the first quarter of 2024, we acquired an office property located in the East North Central region via deed-in-lieu of foreclosure that, at acquisition, had a cost basis of \$14.0 million and a fair value of \$20.3 million. We recognized a \$5.8 million gain upon converting the loan to real estate owned and immediately contributed the property into a joint venture with an unrelated third-party, seeking to maximize the property's value through a multifamily conversion. **In the third quarter of 2024, we acquired a multifamily property in the Southwest region via foreclosure that, at acquisition, had a cost basis of \$30.9 million. No gain or loss was recognized upon conversion of the CRE loan to real estate investment owned, and the property was immediately contributed to a joint venture with an unrelated third-party. We reported this investment as an investment in an unconsolidated entity on our consolidated balance sheet at June 30, 2024 September 30, 2024. Additionally, we acquired two properties via foreclosure in the third quarter of 2024 that are held as investments in real estate. The first is an office complex located in the Southwest region that, at acquisition, had a fair value of \$17.5 million. We recognized a \$2.8 million net unrealized gain upon converting the CRE loan to real estate owned. The second acquisition is a multi-family property located in the Southeast region with a cost basis of \$9.4 million. No gain or loss occurred upon conversion of the CRE loan to real estate owned.**

At **June 30, 2024** **September 30, 2024**, the net carrying value of our net real estate-related assets and liabilities was **\$161.1 million** **\$194.5 million** on **six** eight properties owned, four of which are included in investments in real estate and **two** **four** of which are included in properties held for sale on our consolidated balance sheets. The existence of net capital loss carryforwards available until December 31, 2025 allows for potential future capital gains on certain of these investments to be shielded from income taxes.

We use leverage to enhance our returns. The cost of borrowings to finance our investments is a significant part of our expenses. Our net interest income depends on our ability to control these expenses relative to our revenue. Our CRE loans may initially be financed with term facilities, such as CRE loan warehouse financing facilities, in anticipation of their ultimate securitization. We ultimately seek to finance our CRE loans through the use of non-recourse long-term, match-funded CRE debt securitizations.

At **June 30, 2024** **September 30, 2024** and December 31, 2023, our financing arrangements were as follows (dollars in thousands):

	Outstanding Borrowings	Percentage of Borrowings
At June 30, 2024:		

CRE debt securitizations <sup>(1)(2)</sup>	\$	1,093,953	69.2%
CRE - term warehouse financing facilities <sup>(1)</sup>		163,517	10.3%
Senior secured financing facility <sup>(1)</sup>		60,539	3.8%
Mortgages payable <sup>(1)</sup>		64,002	4.0%
5.75% Senior Unsecured Notes		148,472	9.4%
Unsecured junior subordinated debentures		51,548	3.3%
Total	\$	1,582,031	100.0%
		<b>Outstanding Borrowings</b>	<b>Percentage of Borrowings</b>
<b>At December 31, 2023:</b>			
CRE debt securitizations <sup>(1)(2)</sup>	\$	1,204,570	71.9%
CRE - term warehouse financing facilities <sup>(1)</sup>		168,588	10.1%
Senior secured financing facility <sup>(1)</sup>		61,568	3.7%
Mortgages payable <sup>(1)</sup>		41,786	2.4%
5.75% Senior Unsecured Notes		148,140	8.8%
Unsecured junior subordinated debentures		51,548	3.1%
Total	\$	1,676,200	100.0%
		<b>Outstanding Borrowings</b>	<b>Percentage of Borrowings</b>
<b>At September 30, 2024:</b>			
CRE debt securitizations <sup>(1)(2)</sup>	\$	990,520	66.5%
CRE - term warehouse financing facilities <sup>(1)</sup>		163,880	11.0%
Senior secured financing facility <sup>(1)</sup>		60,724	4.1%
Mortgages payable <sup>(1)</sup>		73,916	4.9%
5.75% Senior Unsecured Notes		148,641	10.0%
Unsecured junior subordinated debentures		51,548	3.5%
Total	\$	1,489,229	100.0%
		<b>Outstanding Borrowings</b>	<b>Percentage of Borrowings</b>
<b>At December 31, 2023:</b>			
CRE debt securitizations <sup>(1)(2)</sup>	\$	1,204,570	71.9%
CRE - term warehouse financing facilities <sup>(1)</sup>		168,588	10.1%
Senior secured financing facility <sup>(1)</sup>		61,568	3.7%
Mortgages payable <sup>(1)</sup>		41,786	2.4%
5.75% Senior Unsecured Notes		148,140	8.8%
Unsecured junior subordinated debentures		51,548	3.1%
Total	\$	1,676,200	100.0%

(1) Represents an asset-specific borrowing.

(2) Each of our CRE debt securitizations initially provided for a two-year reinvestment period that allowed us to reinvest CRE loan payoffs and principal paydown proceeds into the securitizations, pending certain eligibility criteria are met and rating agency approval is obtained. The reinvestment periods on our securitizations ended in May 2023 and December 2023, respectively.

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We reevaluate our current expected credit losses ("CECL") allowance quarterly, incorporating our current expectations of macroeconomic factors considered in the determination of our CECL reserves. At **June 30, 2024** **September 30, 2024**, the CECL allowance on our CRE loan portfolio was **\$35.0 million** **\$34.7 million**, or **2.0%** **2.2%** of our **\$1.7 billion** **\$1.6 billion** loan portfolio. During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded a **net** provision for credit losses primarily attributable to worsening macroeconomic factors, including, but not limited to, higher interest rates lasting longer than expected pressuring CRE pricing, offset, in part, by a decrease in modeled credit risk resulting from payoffs and net improvements in property-level performance.

At December 31, 2023, the CECL allowance on our CRE loan portfolio was \$28.8 million or 1.5% of our \$1.9 billion loan portfolio. During the year ended December 31, 2023, we recorded a provision for credit losses primarily attributable to the modeled increases in general portfolio credit risk compounded by ongoing uncertainty around the commercial real estate market's current macroeconomic outlook, which affected our borrowers' business plan execution and general market liquidity. In June 2023, we received

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the deed-in-lieu of foreclosure to a property formerly collateralizing an office loan in the East North Central region with a principal balance of \$22.8 million, which resulted in a charge off of \$948,000 against the allowance for credit losses.

Additionally, the decline in our CECL reserves from our highest reserve balance at June 30, 2020 of \$61.1 million, or 3.4% of the par balance of our CRE loan portfolio, to our current reserve balance at **June 30, 2024** **September 30, 2024** of **\$35.0 million** **\$34.7 million**, or **2.0%** **2.2%** of the par balance of our CRE loan portfolio, has been due to the following: the successful resolution of our individually evaluated loans with specific reserves, the overall newer vintage of our CRE loan portfolio (with only **8.8%** **8.6%** of the portfolio, at **June 30, 2024** **September 30, 2024**, being originated prior to the fourth quarter of 2020) as well as the increased percentage allocation of our CRE loan portfolio to multifamily loans over time. Multifamily loans have historically had the lowest credit losses of any asset class, and our percentage allocation of our CRE loan portfolio to multifamily has grown from 58.4% at June 30, 2020 to 79.4% at **June 30, 2024** **September 30, 2024**.

Common stock book value was **\$27.20** **\$27.92** per share at **June 30, 2024** **September 30, 2024**, a **\$0.55** **\$1.27** per share increase from December 31, 2023.

## Results of Operations

Our net income allocable to common shares for the three months ended **June 30, 2024** **September 30, 2024** was **\$1.7 million** **\$2.8 million** or **\$0.22** **\$0.37** per share-basic (**\$0.21** **0.36** per share-diluted) as compared to net income allocable to common shares for the three months ended **June 30, 2023** **September 30, 2023** of **\$817,000** **\$2.9 million** or **\$0.10** **\$0.34** per share-basic (**\$0.10** **0.33** per share-diluted). Our net income allocable to common shares for the **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$2.2 million** **\$5.0 million**, or **\$0.29** **\$0.65** per share-basic (**\$0.28** **0.63** per share-diluted), as compared to net **loss income** allocable to common shares for the **six nine** months ended **June 30, 2023** **September 30, 2023** of **\$1.6 million** **\$1.3 million**, or **\$0.19** **\$0.15** per share-basic (**\$0.19** **0.15** per share-diluted).

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## Net Interest Income

The following tables analyze the change in interest income and interest expense for the comparative three and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 by changes in volume and changes in rates. The changes attributable to the combined changes in volume and rate have been allocated proportionately, based on absolute values, to the changes due to volume and changes due to rates (dollars in thousands, except amounts in footnotes):

Three Months Ended June 30, 2024 Compared to Three Months Ended  
June 30, 2023

Three Months Ended September 30, 2024 Compared to Three Months Ended  
September 30, 2023



			Due to Changes in		Due to Changes in			
	Net Change	Percent Change <sup>(1)</sup>	Volume	Rate	Net Change	Percent Change <sup>(1)</sup>	Volume	Rate
(Decrease) increase in interest income:								
Decrease in interest income:								
CRE whole loans <sup>(2)</sup>	\$ (6,011)	(13)%	\$ (6,630)	\$ 619	\$ (8,855)	(19)%	\$ (8,172)	\$ (683)
CRE mezzanine loan	—	—%	—	—	—	—%	—	—
Other	(71)	(9)%	35	(106)	(52)	(8)%	(134)	82
Total (decrease) increase in interest income	(6,082)	(13)%	(6,595)	513				
Total decrease in interest income	(8,907)	(18)%	(8,306)	(601)				
(Decrease) increase in interest expense:								
Securitized borrowings:								
ACR 2021-FL1 Senior Notes	(407)	(4)%	(1,180)	773	(1,087)	(9)%	(1,237)	150
ACR 2021-FL2 Senior Notes	(192)	(2)%	(852)	660	(2,122)	(20)%	(2,363)	241
Senior secured financing facility	291	21%	235	56	258	18%	248	10
CRE - term warehouse financing facilities	(1,895)	(34)%	(2,159)	264	(1,777)	(32)%	(1,791)	14
5.75% Senior Unsecured Notes <sup>(3)</sup>	10	0%	10	—	10	—%	10	—
Unsecured junior subordinated debentures	62	5%	—	62	5	—%	—	5
Hedging <sup>(3)</sup>	—	—%	—	—	—	—%	—	—
Total (decrease) increase in interest expense	(2,131)	(7)%	(3,946)	1,815	(4,713)	(14)%	(5,133)	420
Net decrease in net interest income	\$ (3,951)		\$ (2,649)	\$ (1,302)	\$ (4,194)		\$ (3,173)	\$ (1,021)

(1) Percent change is calculated as the net change divided by the respective interest income or interest expense for the three months ended **June 30, 2023** September 30, 2023.

(2) Includes a decrease in fee income of **\$393,000** **\$146,000** recognized on our CRE whole loans that was due to changes in volume.

(3) Net change pertains to amortization expense and is reflected in the change in volume.

	Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023			
			Due to Changes in	
	Net Change	Percent Change <sup>(1)</sup>	Volume	Rate
<b>Decrease in interest income:</b>				
CRE whole loans <sup>(2)</sup>	\$ (17,457)	(13)%	\$ (20,249)	\$ 2,792
CRE mezzanine loan	(13)	(100)%	—	(13)
Other	(237)	(10)%	(442)	205
Total decrease in interest income	(17,707)	(13)%	(20,691)	2,984
<b>(Decrease) increase in interest expense:</b>				
Securitized borrowings: <sup>(3)</sup>				
ACR 2021-FL1 Senior Notes	(818)	(2)%	(3,338)	2,520
ACR 2021-FL2 Senior Notes	(1,180)	(4)%	(3,434)	2,254
Senior secured financing facility <sup>(3)</sup>	669	16%	425	244
CRE - term warehouse financing facilities <sup>(3)</sup>	(5,862)	(34)%	(6,798)	936
5.75% Senior Unsecured Notes <sup>(3)</sup>	30	—%	30	—
Unsecured junior subordinated debentures	189	5%	—	189
Hedging	4	—%	—	4

Total (decrease) increase in interest expense	(6,968)	(7)%	(13,115)	6,147
Net decrease in net interest income	<u>\$ (10,739)</u>		<u>\$ (7,576)</u>	<u>\$ (3,163)</u>

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Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023				
	Net Change	Percent Change <sup>(1)</sup>	Due to Changes in	
			Volume	Rate
<b>(Decrease) increase in interest income:</b>				
CRE whole loans <sup>(2)</sup>	\$ (8,602)	(9)%	\$ (12,097)	\$ 3,495
CRE mezzanine loan	(13)	(100)%	—	(13)
Other	(185)	(11)%	(310)	125
Total (decrease) increase in interest income	<u>(8,800)</u>	<u>(10)%</u>	<u>(12,407)</u>	<u>3,607</u>
<b>Increase (decrease) in interest expense:</b>				
Securitized borrowings: <sup>(3)</sup>				
ACR 2021-FL1 Senior Notes	269	1%	(2,100)	2,369
ACR 2021-FL2 Senior Notes	943	5%	(1,091)	2,034
Senior secured financing facility <sup>(3)</sup>	410	14%	180	230
CRE - term warehouse financing facilities <sup>(3)</sup>	(4,085)	(35)%	(4,993)	908
5.75% Senior Unsecured Notes <sup>(3)</sup>	20	—%	20	—
Unsecured junior subordinated debentures	184	8%	—	184
Hedging	4	1%	4	—
Total (decrease) increase in interest expense	<u>(2,255)</u>	<u>(4)%</u>	<u>(7,980)</u>	<u>5,725</u>
Net decrease in net interest income	<u>\$ (6,545)</u>		<u>\$ (4,427)</u>	<u>\$ (2,118)</u>

(1) Percent change is calculated as the net change divided by the respective interest income or interest expense for the six nine months ended June 30, 2023 September 30, 2023.

(2) Includes a decrease in fee income of \$734,000 \$880,000 recognized on our CRE whole loans that was due to changes in volume.

(3) Net change pertains to amortization expense and is reflected in the change in volume.

Net Change in Interest Income for the Comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

Aggregate interest income decreased by \$6.1 million \$8.9 million and \$8.8 million \$17.7 million for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. We attribute the change to the following:

CRE whole loans. The decrease of \$6.0 million and \$8.6 million \$8.9 million for the comparative three and six months ended June 30, 2024 September 30, 2024 and 2023 was primarily attributable to a decrease in total par value of our CRE portfolio resulting from loan payoffs and foreclosures and the benchmark rate over the comparative period. The decrease of \$17.5 million for the comparative nine months ended September 30, 2024 and 2023 was primarily attributable to a decrease in total par value of our CRE portfolio, offset, in part, by an increase in the benchmark rate over the comparative periods. period.

Other. The decrease of \$71,000 \$52,000 and \$185,000 \$237,000 for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, was primarily attributable to a decrease in restricted cash in our CRE securitizations, offset, in part, by an increase in yields on our interest earning money market accounts.

Net Change in Interest Expense for the Comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

Aggregate interest expense decreased by \$2.1 million \$4.7 million and \$2.3 million \$7.0 million for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, 2023, respectively. We attribute the change to the following:

Securitized borrowings. The net decrease of \$599,000 \$3.2 million and \$2.0 million for the comparative three and nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, was primarily attributable to paydowns on our borrowings. The net increase of \$1.2 million for the comparative six months ended June 30, 2024 and 2023

was primarily attributable to borrowings, offset, in part, by an increase in the benchmark rate over the comparative periods, offset, in part, by paydowns on our borrowings, periods.

*Senior secured financing facility.* The increase of \$291,000 \$258,000 and \$410,000 \$669,000 for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, was primarily attributable to an increase in borrowings and the benchmark rate over the comparative periods.

*CRE - term warehouse financing facilities.* The decrease of \$1.9 million \$1.8 million and \$4.1 million \$5.9 million for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, were primarily attributable to paydowns on our borrowings.

*Unsecured junior subordinated debentures.* The increase of \$62,000 \$5,000 and \$184,000 \$189,000 for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, was primarily attributable to an increase in the benchmark rate over the comparative periods.

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#### Average Net Yield and Average Cost of Funds:

The following tables present the average net yield and average cost of funds for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 (dollars in thousands, except amounts in footnotes):

	Three Months Ended June 30, 2024			Three Months Ended June 30, 2023			Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	Average	Interest	Average Net Yield	Average	Interest	Average Net Yield	Average	Interest	Average Net Yield	Average	Interest	Average Net Yield
	Amortized	Income		Amortized	Income		Amortized	Income		Amortized	Income	
	Cost	(Expense)		Cost	(Expense)		Cost	(Expense)		Cost	(Expense)	
			(Cost of Funds) <sup>(1)</sup>			(Cost of Funds) <sup>(1)</sup>			Yield (Cost of Funds) <sup>(1)</sup>			Yield (Cost of Funds) <sup>(1)</sup>
<b>Interest-earning assets</b>												
CRE whole loans,												
floating-rate <sup>(2)</sup>	\$ 1,728,094	\$ 40,340	9.36 %	\$ 1,974,604	\$ 46,351	9.41 %	\$ 1,622,256	\$ 38,712	9.47 %	\$ 1,930,841	\$ 47,567	9.77 %
CRE mezzanine loan	4,700	—	— %	4,700	—	— %	4,700	—	— %	4,700	—	— %
Other	73,332	726	3.98 %	70,238	797	4.55 %	57,633	589	4.05 %	71,332	641	3.57 %
Total interest												
income/average net												
yield	1,806,126	41,066	9.12 %	2,049,542	47,148	9.22 %	1,684,589	39,301	9.26 %	2,006,873	48,208	9.53 %
<b>Interest-bearing liabilities</b>												
Collateralized by:												
CRE whole loans <sup>(3)</sup>	1,346,233	(26,343)	(7.85) %	1,555,911	(28,546)	(7.36) %	1,250,634	(24,860)	(7.89) %	1,518,646	(29,588)	(7.73) %
General corporate												
debt:												
5.75% Senior												
Unsecured Notes <sup>(4)</sup>	148,389	(2,323)	(6.28) %	147,741	(2,313)	(6.28) %	148,557	(2,326)	(6.21) %	147,899	(2,316)	(6.21) %
Unsecured junior												
subordinated												
debentures	51,548	(1,248)	(9.58) %	51,548	(1,186)	(9.10) %	51,548	(1,254)	(9.52) %	51,548	(1,249)	(9.48) %
Hedging <sup>(5)</sup>	—	(397)	— %	—	(397)	— %	—	(402)	— %	—	(402)	— %
Total interest												
expense/average												
cost of funds	1,546,170	(30,311)	(7.76) %	1,755,200	(32,442)	(7.32) %	1,450,739	(28,842)	(7.78) %	1,718,093	(33,555)	(7.65) %
Total net interest												
income		\$ 10,755			\$ 14,706			\$ 10,459			\$ 14,653	

(1) Average net yield includes net amortization/accretion and fee income and is computed based on average amortized cost.

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- (2) Includes fee income of **\$1.5 million** **\$1.9 million** and **\$1.9 million** **\$2.0 million** recognized on our floating-rate CRE whole loans for the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.
- (3) Includes amortization expense of \$1.3 million for the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, on our interest-bearing liabilities collateralized by CRE whole loans.
- (4) Includes amortization expense of **\$167,000** **\$170,000** and **\$157,000** **\$159,000** for the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.
- (5) Includes net amortization expense of **\$397,000** **\$402,000** for each of the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, on 20 terminated interest rate swap agreements that were in net loss positions at the time of termination. The remaining net losses, reported in accumulated other comprehensive loss on the consolidated balance sheets, will be accreted over the remaining life of the debt.

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
	Average	Interest Income	Average Net Yield	Average	Interest Income	Average Net Yield
	Amortized Cost	(Expense)	(Cost of Funds) <sup>(1)</sup>	Amortized Cost	(Expense)	(Cost of Funds) <sup>(1)</sup>
<b>Interest-earning assets</b>						
CRE whole loans, floating-rate <sup>(2)</sup>	\$ 1,764,421	\$ 82,206	9.34 %	\$ 1,993,000	\$ 90,808	9.19 %
CRE mezzanine loan	4,700	—	— %	4,700	13	0.54 %
Other	73,492	1,471	4.02 %	90,565	1,656	3.69 %
Total interest income/average net yield	1,842,613	83,677	9.10 %	2,088,265	92,477	8.93 %
<b>Interest-bearing liabilities</b>						
Collateralized by:						
CRE whole loans <sup>(3)</sup>	1,371,195	(53,639)	(7.85) %	1,588,306	(56,102)	(7.12) %
General corporate debt:						
5.75% Senior Unsecured Notes <sup>(4)</sup>	148,306	(4,644)	(6.28) %	147,664	(4,624)	(6.31) %
Unsecured junior subordinated debentures	51,548	(2,485)	(9.54) %	51,548	(2,301)	(8.88) %
Hedging <sup>(5)</sup>	—	(794)	— %	—	(790)	— %
Total interest expense/average cost of funds	1,571,049	(61,562)	(7.76) %	1,787,518	(63,817)	(7.10) %
Total net interest income		\$ 22,115			\$ 28,660	

	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	Average	Interest Income	Average Net Yield	Average	Interest Income	Average Net Yield
	Amortized Cost	(Expense)	(Cost of Funds) <sup>(1)</sup>	Amortized Cost	(Expense)	(Cost of Funds) <sup>(1)</sup>
<b>Interest-earning assets</b>						
CRE whole loans, floating-rate <sup>(2)</sup>	\$ 1,716,687	\$ 120,917	9.38 %	\$ 1,972,052	\$ 138,375	9.38 %
CRE mezzanine loan	4,700	—	— %	4,700	13	0.36 %
Other	68,167	2,061	4.03 %	90,565	2,297	3.39 %
Total interest income/average net yield	1,789,554	122,978	9.15 %	2,067,317	140,685	9.10 %
<b>Interest-bearing liabilities</b>						
Collateralized by:						
CRE whole loans <sup>(3)</sup>	1,330,717	(78,499)	(7.86) %	1,564,831	(85,690)	(7.32) %
General corporate debt:						
5.75% Senior Unsecured Notes <sup>(4)</sup>	148,390	(6,970)	(6.26) %	147,743	(6,940)	(6.28) %
Unsecured junior subordinated debentures	51,548	(3,739)	(9.53) %	51,548	(3,550)	(9.08) %
Hedging <sup>(5)</sup>	—	(1,196)	— %	—	(1,192)	— %
Total interest expense/average cost of funds	1,530,655	(90,404)	(7.76) %	1,764,122	(97,372)	(7.28) %
Total net interest income		\$ 32,574			\$ 43,313	

- (1) Average net yield includes net amortization/accretion and fee income and is computed based on average amortized cost.
- (2) Includes fee income of **\$3.2 million** **\$5.1 million** and **\$3.9 million** **\$6.0 million** on our floating-rate CRE whole loans for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.
- (3) Includes amortization expense of **\$2.7 million** **\$4.0 million** for each of the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, on our interest-bearing liabilities collateralized by CRE whole loans.
- (4) Includes amortization expense of **\$331,000** **\$501,000** and **\$311,000** **\$471,000** for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.
- (5) Includes net amortization expense of **\$794,000** **\$790,000** **\$1.2 million** for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, on 20 terminated interest rate swap agreements that were in net loss positions at the time of termination. The remaining net losses, reported in accumulated other comprehensive loss on the consolidated balance sheets, will be accreted over the remaining life of the debt.

**Real Estate Income and Other Revenue**

The following table sets forth information relating to our real estate income and other revenue for the periods presented (dollars in thousands):

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	For the Three Months Ended September 30,		Dollar Change	Percent Change
	2024	2023		
<b>Real estate income and other revenue:</b>				
Real estate income	\$ 11,857	\$ 9,316	\$ 2,541	27%
Other revenue	37	37	—	—%
Total	<u>\$ 11,894</u>	<u>\$ 9,353</u>	<u>\$ 2,541</u>	<u>27%</u>

	For the Three Months Ended June 30,		Dollar Change	Percent Change
	2024	2023		
<b>Real estate income and other revenue:</b>				
Real estate income	\$ 10,143	\$ 8,879	\$ 1,264	14%
Other revenue	38	37	1	3%
Total	<u>\$ 10,181</u>	<u>\$ 8,916</u>	<u>\$ 1,265</u>	<u>14%</u>

	For the Six Months Ended June 30,				For the Nine Months Ended September 30,			
	2024	2023	Dollar Change	Percent Change	2024	2023	Dollar Change	Percent Change
<b>Real estate income and other revenue:</b>								
Real estate income	\$ 17,514	\$ 15,950	\$ 1,564	10%	\$ 29,371	\$ 25,266	\$ 4,105	16%
Other revenue	75	70	5	7%	112	107	5	5%
Total	<u>\$ 17,589</u>	<u>\$ 16,020</u>	<u>\$ 1,569</u>	<u>10%</u>	<u>\$ 29,483</u>	<u>\$ 25,373</u>	<u>\$ 4,110</u>	<u>16%</u>

Aggregate real estate income and other revenue increased by **\$1.3 million** **\$2.5 million** and **\$1.6 million** **\$4.1 million** for the comparative three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023. The increase in the comparative three and **six** **nine** months was attributed to: (i) incremental increase in revenues from the acquisition of an office building through deed-in-lieu of foreclosure in June 2023, **and asset acquisitions in the third quarter of 2024 of a multifamily property and an office property through foreclosures,** (ii) increased revenues from a hotel property that had increased occupancy and rental rates for both the comparative three and **six** **nine** month periods **partially offset by** and (iii) **the loss of revenues from the sale of an increase in revenue related to a hotel student housing property that completed construction and became operational in February 2023 for the comparative three-month period. August 2024.**

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## Operating Expenses

The following tables set forth information relating to our operating expenses for the periods presented (dollars in thousands):

For the Three Months Ended June 30,	For the Three Months Ended September 30,
-------------------------------------	--

	2024	2023	Dollar Change	Percent Change	2024	2023	Dollar Change	Percent Change
<b>Operating expenses:</b>								
General and administrative	\$ 2,356	\$ 2,348	\$ 8	0%	\$ 2,430	\$ 2,246	\$ 184	8%
Real estate expenses	9,736	10,492	(756)	(7)%	12,524	9,706	2,818	29%
Management fees - related party	1,620	1,890	(270)	(14)%	1,624	2,113	(489)	(23)%
Equity compensation - related party	814	719	95	13%	833	482	351	73%
Corporate depreciation and amortization	16	23	(7)	(30)%	16	22	(6)	(27)%
Provision for credit losses, net	1,337	2,700	(1,363)	(50)%	(291)	1,983	(2,274)	(115)%
Total	<u>\$ 15,879</u>	<u>\$ 18,172</u>	<u>\$ (2,293)</u>	<u>(13)%</u>	<u>\$ 17,136</u>	<u>\$ 16,552</u>	<u>\$ 584</u>	<u>4%</u>

	For the Six Months Ended June 30,								
	2024	2023	Dollar Change	Percent Change		2024	2023	Dollar Change	Percent Change
<b>Operating expenses:</b>									
General and administrative	\$ 5,611	\$ 5,327	\$ 284	5%					
Real estate expenses	19,267	19,352	(85)	(0)%					
Management fees - related party	3,247	3,663	(416)	(11)%					
Equity compensation - related party	1,291	1,613	(322)	(20)%					
Corporate depreciation and amortization	24	46	(22)	(48)%					
Provision for credit losses, net	6,233	7,796	(1,563)	(20)%					
Total	<u>\$ 35,673</u>	<u>\$ 37,797</u>	<u>\$ (2,124)</u>	<u>(6)%</u>					

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	For the Nine Months Ended September 30,								
	2024	2023	Dollar Change	Percent Change		2024	2023	Dollar Change	Percent Change
<b>Operating expenses:</b>									
General and administrative	\$ 8,041	\$ 7,573	\$ 468	6%					
Real estate expenses	31,791	29,058	2,733	9%					
Management fees - related party	4,871	5,776	(905)	(16)%					
Equity compensation - related party	2,124	2,095	29	1%					
Corporate depreciation and amortization	40	68	(28)	(41)%					
Provision for credit losses, net	5,942	9,779	(3,837)	(39)%					
Total	<u>\$ 52,809</u>	<u>\$ 54,349</u>	<u>\$ (1,540)</u>	<u>(3)%</u>					

Aggregate operating expenses ~~decreased~~ increased by \$2.3 million and \$2.1 million \$584,000 for the comparative three and six months ended June 30, 2024 September 30, 2024 and 2023 and decreased by \$1.5 million for the comparative nine months ended September 30, 2024 and 2023. We attribute the change changes to the following:

*General and administrative.* General and administrative expenses increased by \$8,000 \$184,000 and \$284,000 \$468,000 for the comparative three and six nine months ended June 30, 2024 September 30, 2024 and 2023. 2023, respectively. The following table summarizes the information relating to our general and administrative expenses for the periods presented (dollars in thousands):

	For the Three Months Ended June 30,					For the Three Months Ended September 30,			
	2024	2023	Dollar Change	Percent Change		2024	2023	Dollar Change	Percent Change
<b>General and administrative</b>									
Professional services	\$ 1,062	\$ 961	\$ 101	11%		\$ 1,215	\$ 960	\$ 255	27%

Wages and benefits	341	350	(9)	(3)%	326	338	(12)	(4)%
D&O insurance	248	322	(74)	(23)%	215	276	(61)	(22)%
Operating expenses	256	239	17	7%	211	265	(54)	(20)%
Dues and subscriptions	202	229	(27)	(12)%	249	191	58	30%
Director fees	224	206	18	9%	204	206	(2)	(1)%
Tax penalties, interest & franchise tax	2	20	(18)	(90)%				
Travel	21	21	—	(—)%	10	10	—	—%
Total	\$ 2,356	\$ 2,348	\$ 8	0%	\$ 2,430	\$ 2,246	\$ 184	8%

	For the Six Months Ended June 30,							
	2024	2023	Dollar Change	Percent Change				
<b>General and administrative</b>								
Professional services	\$ 2,941	\$ 2,481	\$ 460	19%				
Wages and benefits	702	741	(39)	(5)%				
D&O insurance	496	641	(145)	(23)%				
Operating expenses	482	506	(24)	(5)%				
Dues and subscriptions	409	433	(24)	(6)%				
Director fees	455	412	43	10%				
Tax penalties, interest & franchise tax	80	86	(6)	(7)%				
Travel	46	27	19	72%				
Total	\$ 5,611	\$ 5,327	\$ 284	5%				

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	For the Nine Months Ended September 30,							
	2024	2023	Dollar Change	Percent Change				
<b>General and administrative</b>								
Professional services	\$ 4,156	\$ 3,441	\$ 715	21%				
Wages and benefits	1,028	1,079	(51)	(5)%				
D&O insurance	697	917	(220)	(24)%				
Operating expenses	620	772	(152)	(20)%				
Dues and subscriptions	745	623	122	20%				
Director fees	659	619	40	6%				
Tax penalties, interest & franchise tax	80	86	(6)	(7)%				
Travel	56	36	20	57%				
Total	\$ 8,041	\$ 7,573	\$ 468	6%				

The increase in general and administrative expense for the comparative three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was primarily attributable to an increase **related to the increase** in professional services **in connection with legal expenses incurred pertaining due to CRE loan workouts and the timing of our interim the audit billings, expense accrual.**

**Real estate expenses.** The **decrease** **increase** of **\$756,000** **\$2.8 million** for the three months ended **June 30, 2024** **September 30, 2024** and **\$2.7 million** for the nine months ended **September 30, 2024** was primarily **attributable related to the acquisition-date accrual of property taxes on (i) an increase in expenses related to a Chicago office student housing property that we acquired completed construction and became operational in August 2024 and (ii) an incremental increase in expenses from the acquisition of an office building through deed-in-lieu of foreclosure in June 2023.**

**Equity compensation - related party.** The decrease of \$322,000 for the comparative six months ended June 30, 2024 2023, and 2023 was primarily related to the vesting of shares asset acquisitions in the second third quarter 2024. As these shares fully vest, the expense related to equity compensation - related party decreases. of 2024 of a multifamily property and an office property through deed-in-lieu of foreclosure.

**Provision for credit losses.** The decrease in the provision for credit losses of \$1.3 million \$2.3 million for the three months ended June 30, 2024 September 30, 2024 and \$6.2 million \$3.8 million for the six nine months ended June 30, 2024 September 30, 2024 were primarily driven by worsening macroeconomic factors due to higher interest rates longer than expected offset by a decrease in modeled credit risk for improved property-level property performance and loan payoffs. payoffs offset by an increase in reserves from macroeconomic factors this quarter. Please refer to the "Financing Receivables" section for more information on our provision for credit losses.

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#### Other Income (Expense)

The following table sets forth information relating to our other income (expense) incurred for the periods presented (dollars in thousands):

	For the Three Months Ended June				For the Three Months Ended September			
	30,		Dollar	Percent	30,		Dollar	Percent
	2024	2023			2024	2023		
			Change	Change			Change	Change
<b>Other income (expense):</b>								
Equity in losses of unconsolidated subsidiaries	\$ (41)	\$ —	\$ (41)	(100)%	\$ (168)	\$ —	\$ (168)	(100)%
Gain on conversion of real estate	2,802	—	2,802	100%				
Other income	1,435	242	1,193	493%	285	113	172	152%
Total	\$ 1,394	\$ 242	\$ 1,152	476%	\$ 2,919	\$ 113	\$ 2,806	2,483%

	For the Six Months Ended June				For the Nine Months Ended September			
	30,		Dollar	Percent	30,		Dollar	Percent
	2024	2023			2024	2023		
			Change	Change			Change	Change
<b>Other income (expense):</b>								
Equity in losses of unconsolidated subsidiaries	\$ (41)	\$ —	\$ (41)	(100)%	\$ (209)	\$ —	\$ (209)	(100)%
Gain on sale of real estate	—	745	(745)	(100)%	—	745	(745)	(100)%
Gain on conversion of real estate	5,835	—	5,835	100%	8,637	—	8,637	100%
Other income	1,550	352	1,198	340%	1,835	465	1,370	295%
Total	\$ 7,344	\$ 1,097	\$ 6,247	569%	\$ 10,263	\$ 1,210	\$ 9,053	748%

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Aggregate other income increased **\$1.2 million** **\$2.8 million** and **\$6.2 million** **\$9.1 million** for the comparative three and **six nine** months ended **June 30, 2024** **September 30, 2024** and **2023, 2023, respectively**. We attribute the change to the following:

*Gain on sale of real estate.* The decrease of \$745,000 during the comparative **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was primarily attributed to the sale of a hotel property in the Northeast region in February 2023 that generated a non-recurring gain of \$745,000. No sales of real estate occurred in the **six nine** months ended **June 30, 2024** **September 30, 2024**.

*Gain on conversion of real estate.* The increase of **\$5.8 million** **\$2.8 million** and **\$8.6 million** during the comparative **six three and nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, was primarily attributed to the completion of **a one** deed-in-lieu of foreclosure that generated a non-recurring gain of \$5.8 million, in the first quarter of 2024, and a foreclosure in the third quarter of 2024 that generated an unrealized gain of \$2.8 million, as the fair value of the **property** **properties** exceeded the amortized cost basis of the **loan**. **loans**.

*Other Income.* The increase of **\$1.2 million** **\$1.4 million** during **each of** the comparative **three and six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 is primarily attributed to the reversal of warranty reserves and representations related to a discontinued residential lending business.

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## Financial Condition

### Summary

Our total assets were **\$2.1 billion** **\$2.0 billion** and \$2.2 billion at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

### Investment Portfolio

The tables below summarize the amortized cost and net carrying amount of our investment portfolio, classified by asset type, at **June 30, 2024** **September 30, 2024** and December 31, 2023 as follows (dollars in thousands, except amounts in footnotes):

At June 30, 2024	Amortized Cost	Net Carrying Amount <sup>(1)</sup>	Percent of Portfolio	Weighted Average Coupon				
At September 30, 2024	Amortized Cost	Net Carrying Amount <sup>(1)</sup>	Percent of Portfolio	Weighted Average Coupon				
Loans held for investment:								
CRE whole loans, floating-rate	\$ 1,709,011	\$ 1,678,721	90.18 %	9.13%	\$ 1,575,816	\$ 1,545,817	87.71 %	8.95%
CRE mezzanine loan	4,700	—	0.00 %	10.00%	4,700	—	0.00 %	10.00%
	1,713,711	1,678,721	90.18 %		1,580,516	1,545,817	87.71 %	
Other investments:								
Investments in unconsolidated entities	21,630	21,630	1.16 %	N/A <sup>(4)</sup>	22,036	22,036	1.25 %	N/A <sup>(4)</sup>
Investments in real estate <sup>(2)</sup>	100,898	100,898	5.42 %	N/A <sup>(4)</sup>	71,403	71,403	4.05 %	N/A <sup>(4)</sup>
Properties held for sale <sup>(3)</sup>	60,219	60,219	3.24 %	N/A <sup>(4)</sup>	123,105	123,105	6.99 %	N/A <sup>(4)</sup>
	182,747	182,747	9.82 %		216,544	216,544	12.29 %	
Total investment portfolio	\$ 1,896,458	\$ 1,861,468	100.00 %		\$ 1,797,060	\$ 1,762,361	100.00 %	
	Amortized	Net Carrying	Percent of	Weighted Average	Amortized	Net Carrying	Percent of	Weighted Average
At December 31, 2023	Cost	Amount <sup>(1)</sup>	Portfolio	Coupon	Cost	Amount <sup>(1)</sup>	Portfolio	Coupon

<b>Loans held for investment:</b>								
CRE whole loans, floating-rate	\$ 1,852,393	\$ 1,828,336	91.93 %	9.15%	\$ 1,852,393	\$ 1,828,336	91.93 %	9.15%
CRE mezzanine loan	4,700	—	0.00 %	10.00%	4,700	—	0.00 %	10.00%
	<u>1,857,093</u>	<u>1,828,336</u>	<u>91.93 %</u>		<u>1,857,093</u>	<u>1,828,336</u>	<u>91.93 %</u>	
<b>Other investments:</b>								
Investments in unconsolidated entities	1,548	1,548	0.08 %	N/A <sup>(4)</sup>	1,548	1,548	0.08 %	N/A <sup>(4)</sup>
Investments in real estate <sup>(2)</sup>	99,338	99,338	4.99 %	N/A <sup>(4)</sup>	99,338	99,338	4.99 %	N/A <sup>(4)</sup>
Properties held for sale <sup>(3)</sup>	59,580	59,580	3.00 %	N/A <sup>(4)</sup>	59,580	59,580	3.00 %	N/A <sup>(4)</sup>
	<u>160,466</u>	<u>160,466</u>	<u>8.07 %</u>		<u>160,466</u>	<u>160,466</u>	<u>8.07 %</u>	
<b>Total investment portfolio</b>	<b>\$ 2,017,559</b>	<b>\$ 1,988,802</b>	<b>100.00 %</b>		<b>\$ 2,017,559</b>	<b>\$ 1,988,802</b>	<b>100.00 %</b>	

- (1) Net carrying amount includes an allowance for credit losses of \$35.0 million \$34.7 million and \$28.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (2) Includes real estate related right of use assets of \$19.1 million \$19.0 million and \$19.2 million, intangible assets of \$7.4 million \$7.2 million and \$7.9 million, lease liabilities of \$43.9 million \$44.1 million and \$43.5 million mortgages payable of \$64.0 million \$73.9 million and \$41.8 million, and other liabilities of \$9,000 and \$27,000 at June 30, 2024 September 30, 2024 and December 31, 2023, respectively. There were no other liabilities at September 30, 2024 compared to \$27,000 of other liabilities at December 31, 2023.
- (3) Includes property held for sale-related liabilities of \$3.1 million \$3.2 million and \$3.0 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (4) There are no stated rates associated with these investments.

CRE loans. During the six nine months ended June 30, 2024 September 30, 2024, we did not originate any new CRE loans. We received \$152.0 million \$270.1 million in proceeds from loan payoffs, along with loan foreclosures of \$37.7 million, offset by funding of \$20.7 million \$28.1 million of previously unfunded loan commitments, producing a net reduction of \$131.3 million \$279.7 million in the par balance of the portfolio.

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The following is a summary of our loans (dollars in thousands, except amounts in footnotes):

	At June 30, 2024:								At September 30, 2024:							
	At June 30, 2024:								At September 30, 2024:							
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Investments in real estate <sup>(1)</sup>	\$ 188,808	\$ (6,455)	\$ 182,353	\$ 162,662	\$ (5,041)	\$ 157,621	\$ 95,105	\$ (5,775)	\$ 89,330	\$ 162,662	\$ (5,041)	\$ 157,621
Right of use assets <sup>(2)(3)</sup>	19,664	(614)	19,050	19,664	(478)	19,186	19,665	(683)	18,982	19,664	(478)	19,186
Intangible assets <sup>(4)</sup>	11,474	(4,079)	7,395	11,474	(3,592)	7,882	11,195	(4,043)	7,152	11,474	(3,592)	7,882
Subtotal	219,946	(11,148)	208,798	193,800	(9,111)	184,689	125,965	(10,501)	115,464	193,800	(9,111)	184,689
<b>Investments in real estate from lending activities:</b>												
Properties held for sale <sup>(5)</sup>	63,341	—	63,341	62,605	—	62,605	200,194	—	200,194	62,605	—	62,605
Total	283,287	(11,148)	272,139	256,405	(9,111)	247,294	326,159	(10,501)	315,658	256,405	(9,111)	247,294
<b>Liabilities assumed:</b>												
<b>Investments in real estate, equity:</b>												
Mortgage payables	61,796	2,206	64,002	40,297	1,489	41,786	71,368	2,548	73,916	40,297	1,489	41,786
Other liabilities	247	(238)	9	247	(220)	27	247	(247)	—	247	(220)	27
Lease liabilities <sup>(3)</sup>												
<sup>(6)</sup>	43,889	—	43,889	43,538	—	43,538	44,061	—	44,061	43,538	—	43,538
Subtotal	105,932	1,968	107,900	84,082	1,269	85,351	115,676	2,301	117,977	84,082	1,269	85,351
<b>Investments in real estate from lending activities:</b>												
Liabilities held for sale <sup>(7)</sup>	3,123	—	3,123	3,025	—	3,025	3,173	—	3,173	3,025	—	3,025
Total	109,055	1,968	111,023	87,107	1,269	88,376	118,849	2,301	121,150	87,107	1,269	88,376
Total net investments in real estate and properties held for sale <sup>(8)</sup>	\$ 174,232		\$ 161,116	\$ 169,298		\$ 158,918	\$ 207,310		\$ 194,508	\$ 169,298		\$ 158,918

- (1) Includes \$22.4 million and \$38.4 million of land, which is not depreciable, at both June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Also includes \$70.6 million \$2.9 million and \$44.9 million construction in progress, which is also not depreciable until placed in service, at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (2) Primarily comprised a \$18.7 million and \$19.2 million right of use asset, at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, associated with the ground lease disclosed at footnote (6) below operating lease. Amortization is booked to real estate expenses on the consolidated statements of operations.
- (3) Refer to Note 8 in the Notes to the Consolidated Financial Statements for additional information on our remaining operating leases.
- (4) Primarily comprised a franchise intangible of \$4.4 million \$4.3 million and \$4.7 million, a management contract intangible of \$2.8 million and \$2.9 million and a customer list intangible of \$134,000 \$89,000 and \$223,000, at 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (5) At June 30, 2024 September 30, 2024 and December 31, 2023, properties held for sale included a hotel acquired via deed-in-lieu of foreclosure in November 2020, as well as an office property acquired via deed-in-lieu foreclosure in June 2023. New additions include a newly constructed multi-family property placed in service in September 2024 and an office complex acquired July 2024.
- (6) Primarily comprised a \$43.6 million \$43.7 million ground lease with a remaining term of 92 years at June 30, 2024 September 30, 2024. Lease expense was \$1.4 million \$2.1 million and \$1.3 million \$2.0 million for the six months ended June 30, 2024 September 30, 2024 and 2023, respectively.
- (7) Comprised an operating lease liability.
- (8) Excludes items of working capital, either acquired or assumed.

## Financing Receivables

Current market conditions have resulted in, and may continue to result in, a dislocation in capital markets, declining real estate values of certain asset classes and increased delinquencies and defaults, resulting in increased loan modifications, increased allowances for credit losses and an increased risk to borrowers of foreclosure actions. We routinely employ rigorous risk management and underwriting practices to proactively evaluate and maintain the credit quality of our CRE loan portfolio and work closely with our borrowers to mitigate potential losses.

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The following tables show the activity in the allowance for credit losses for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and year ended December 31, 2023 (in thousands):

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	Six Months Ended June 30,	Year Ended December 31,
	2024	2023
Allowance for credit losses at beginning of period	\$ 28,757	\$ 18,803
Provision for credit losses	6,233	10,902
Charge offs	—	(948)
Allowance for credit losses at end of period	\$ 34,990	\$ 28,757

	Nine Months Ended September	Year Ended December 31,
	30, 2024	2023
Allowance for credit losses at beginning of period	\$ 28,757	\$ 18,803
Provision for credit losses	5,942	10,902
Charge offs	—	(948)
Allowance for credit losses at end of period	\$ 34,699	\$ 28,757

During the three **and six** months ended **June 30, 2024** **September 30, 2024**, we recorded **provisions for a reversal of expected credit losses of \$1.3 million** **\$291,000**, primarily attributable to a decrease in modeled credit risk resulting from payoffs and **\$6.2 million** **net improvements in property-level performance**, offset by a minor worsening of macroeconomic factors. During the nine months ended September 30, 2024, **respectively**, provisions of expected credit losses in the first and second quarters of 2024 outpaced the reversal during the third quarter of 2024, resulting in a net provision of **\$5.9 million**, primarily driven by worsening macroeconomic factors, including, but not limited to, higher interest rates lasting longer than expected pressuring CRE pricing, offset, in part, by a decrease in modeled credit risk resulting from payoffs and net improvements in property-level performance.

At **June 30, 2024** **September 30, 2024** and December 31, 2023, we individually evaluated the following **loans** **loan** for impairment:

- An office mezzanine loan in the Northeast region with a principal balance of \$4.7 million at both **June 30, 2024** **September 30, 2024** and December 31, 2023. We reserved this loan in the fourth quarter of 2022, and it continues to be fully reserved at **June 30, 2024** **September 30, 2024**. The loan entered payment default in February 2023 and has been placed on nonaccrual status.
- An office loan in the Southwest region, with a principal balance of \$14.4 million and \$19.1 million at June 30, 2024 and December 31, 2023, respectively, for foreclosure was determined to be probable. The loan had an initial maturity of March 2022, was modified three times to extend its maturity to June 2022. The loan entered into payment default and was placed on nonaccrual status. However, in exchange for payments, comprising principal paydowns, interest payments and the reimbursement of certain legal fees, received between October 2022 and May 2024, we agreed to temporarily defer our right to foreclose on the property. Additionally, at both **June 30, 2024** and December 31, 2023, this loan had an "as-is" appraised value in excess of its principal, and, as such, had no CECL allowance. In July 2024, we foreclosed on the loan.

At **June 30, 2024**, **In fiscal year 2024**, we individually evaluated one additional **loan**; **loan for which a resolution was reached**:

- A multifamily loan in the Southeast region, with a principal balance of \$9.3 million at **June 30, 2024** and December 31, 2023, respectively, for which foreclosure was determined to be probable. **This loan had an as-is appraised value in excess of its principal, and, as such, had no CECL allowance June 30, 2024. In August 2024, we foreclosed on the loan.**

At December 31, 2023, we individually evaluated **two** **three** additional loans for which resolutions were reached in fiscal year 2024:

- A retail loan in the Northeast region, with a principal balance of \$8.0 million at December 31, 2023, for which foreclosure was determined to be probable. The loan was modified in February 2021 to extend its maturity to December 2021. In December 2021, this loan entered payment default and was placed on nonaccrual status. The borrower filed for bankruptcy in 2023 and the property was sold to a third-party bidder at auction in February 2024. The sale closed in April 2024, at a purchase price of \$8.0 million and the loan was paid off at par.
- An office loan in the East North Central region with a principal balance of \$14.0 million at December 31, 2023. During the year ended December 31, 2023, the loan entered into payment default and was placed on nonaccrual status. The loan had an "as-is" appraised value in excess of its principal and interest balances, and, as such, an allowance for CECL at December 31, 2023. In March 2024, we accepted the deed-in-lieu of foreclosure in full satisfaction of the loan and recognized a \$5.8 million loss on the consolidated statement of operations upon conversion of the loan to real estate owned based on the property's fair value of \$20.3 million as determined by a third-party appraisal. Upon receipt, the property was immediately contributed to a joint venture with an independent third party at its aforementioned fair value, and our investment in that joint venture is included in investments in unconsolidated entities on the consolidated balance sheet.
- An office loan in the Southwest region, with a principal balance of \$19.1 million at December 31, 2023, for which foreclosure was determined to be probable. The loan had an initial maturity of March 2022 and was modified three times to extend its maturity to June 2022. The loan entered into payment default and was placed on nonaccrual status. However, in exchange for payments, comprising principal paydowns, interest payments and the reimbursement of certain legal fees, received between October 2023 and May 2024, we agreed to temporarily defer our right to foreclose on the property. In July 2024, we foreclosed on the loan. At the time of foreclosure, the loan had a principal balance of \$14.4 million.

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### Credit quality indicators

#### Commercial Real Estate Loans

CRE loans are collateralized by a diversified mix of real estate properties and are assessed for credit quality based on the collective evaluation of several factors, including but not limited to: collateral performance relative to underwritten plan, time since origination, current implied and/or re-underwritten loan-to-collateral value ("LTV") ratios, loan structure and exit plan. Depending on the loan's performance against these various factors, loans are rated on a scale from 1 to 5, with loans rated 1 representing loans with the highest credit quality and loans rated 5 representing loans with the lowest credit quality. Loans are typically rated a 2 at origination. The factors evaluated provide general criteria to monitor credit migration in our loan portfolio; as such, a loan's rating may improve or worsen, depending on new information received.

The criteria set forth below should be used as general guidelines and, therefore, not every loan will have all of the characteristics described in each category below.

Risk Rating	Risk Characteristics
1	<ul style="list-style-type: none"><li>• Property performance has surpassed underwritten expectations.</li><li>• Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high quality tenant mix.</li></ul>
2	<ul style="list-style-type: none"><li>• Property performance is consistent with underwritten expectations and covenants and performance criteria are being met or exceeded.</li><li>• Occupancy is stabilized, near stabilized or is on track with underwriting.</li></ul>
3	<ul style="list-style-type: none"><li>• Property performance lags behind underwritten expectations.</li><li>• Occupancy is not stabilized and the property has some tenancy rollover.</li></ul>
4	<ul style="list-style-type: none"><li>• Property performance significantly lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers.</li><li>• Occupancy is not stabilized and the property has a large amount of tenancy rollover.</li></ul>
5	<ul style="list-style-type: none"><li>• Property performance is significantly worse than underwritten expectations. The loan is not in compliance with loan covenants and performance criteria and may be in default. Expected sale proceeds would not be sufficient to pay off the loan at maturity.</li><li>• The property has a material vacancy rate and significant rollover of remaining tenants.</li><li>• An updated appraisal is required upon designation and updated on an as-needed basis.</li></ul>

All CRE loans are evaluated for any credit deterioration by debt asset management and certain finance personnel on at least a quarterly basis. Mezzanine loans may experience greater credit risks due to their nature as subordinated investments.

For the purpose of calculating the quarterly provision for credit losses under CECL, we pool CRE loans based on the underlying collateral property type and utilize a probability of default and loss given default methodology for approximately one year after which we immediately revert to a historical mean loss ratio.

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Credit risk profiles of CRE loans at amortized cost were as follows (in thousands, except amounts in the footnotes):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Total <sup>(1)</sup>	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Total <sup>(1)</sup>
<b>At June 30, 2024:</b>												
<b>At September 30, 2024:</b>												
Whole loans, floating-rate	\$ 74,447	\$ 760,146	\$ 510,578	\$ 349,442	\$ 14,398	\$ 1,709,011	\$ 61,993	\$ 649,765	\$ 505,249	\$ 353,196	\$ 5,613	\$ 1,575,816
Mezzanine loan	—	—	—	—	4,700	4,700	—	—	—	—	4,700	4,700
Total	\$ 74,447	\$ 760,146	\$ 510,578	\$ 349,442	\$ 19,098	\$ 1,713,711	\$ 61,993	\$ 649,765	\$ 505,249	\$ 353,196	\$ 10,313	\$ 1,580,516
<b>At December 31, 2023:</b>												
Whole loans, floating-rate	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 41,152	\$ 1,852,393	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 41,152	\$ 1,852,393
Mezzanine loan	—	—	—	—	4,700	4,700	—	—	—	—	4,700	4,700
Total	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 45,852	\$ 1,857,093	\$ —	\$ 973,424	\$ 581,032	\$ 256,785	\$ 45,852	\$ 1,857,093

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(1) The total amortized cost of CRE loans excluded accrued interest receivable of \$12.5 million, \$13.9 million and \$11.8 million at June 30, 2024, September 30, 2024 and December 31, 2023, respectively.

Credit risk profiles of CRE loans by origination year at amortized cost were as follows (in thousands, except amounts in footnotes):

	2024	2023	2022	2021	2020	Prior	Total <sup>(1)</sup>	2024 <sup>(1)</sup>	2023	2022	2021	2020	Prior	To
<b>At June 30, 2024:</b>														
Whole loans, floating-rate: <sup>(2)</sup>														
<b>At September 30, 2024:</b>														
Whole loans, floating-rate: <sup>(3)</sup>														
Rating 1	\$ —	\$ —	\$ —	\$ 74,447	\$ —	\$ —	\$ 74,447	\$ —	\$ —	\$ —	\$ 61,993	\$ —	\$ —	\$ —
Rating 2	—	46,656	192,413	450,493	56,583	14,001	760,146	—	47,505	150,007	381,822	56,460	13,971	6
Rating 3	—	15,785	198,389	285,302	—	11,102	510,578	—	15,798	216,417	261,949	—	11,085	5

Rating 4	—	—	84,260	214,676	—	50,506	349,442	31,545	—	84,778	191,984	—	44,889	3
Rating 5	—	—	—	—	—	14,398	14,398	—	—	—	—	—	5,613	—
Total whole loans, floating-rate	—	62,441	475,062	1,024,918	56,583	90,007	1,709,011	31,545	63,303	451,202	897,748	56,460	75,558	1,5
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700	—	—	—	—	—	4,700	—
Total	\$ —	\$ 62,441	\$ 475,062	\$ 1,024,918	\$ 56,583	\$ 94,707	\$ 1,713,711	\$ 31,545	\$ 63,303	\$ 451,202	\$ 897,748	\$ 56,460	\$ 80,258	\$ 1,5
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
At December 31, 2023:	2023	2022	2021	2020	2019	Prior	Total <sup>(1)</sup>	2023	2022	2021	2020	2019	Prior	To
Whole loans, floating-rate: <sup>(2)</sup>														
Whole loans, floating-rate: <sup>(3)</sup>														
Rating 2	\$ 63,634	\$ 212,175	\$ 636,487	\$ 22,556	\$ 38,572	\$ —	\$ 973,424	\$ 63,634	\$ 212,175	\$ 636,487	\$ 22,556	\$ 38,572	\$ —	\$ 9
Rating 3	—	168,791	364,369	34,232	—	13,640	581,032	—	168,791	364,369	34,232	—	13,640	5
Rating 4	—	82,918	123,333	—	5,645	44,889	256,785	—	82,918	123,333	—	5,645	44,889	2
Rating 5	—	14,000	—	—	19,127	8,025	41,152	—	14,000	—	—	19,127	8,025	—
Total whole loans, floating-rate	63,634	477,884	1,124,189	56,788	63,344	66,554	1,852,393	63,634	477,884	1,124,189	56,788	63,344	66,554	1,8
Mezzanine loan (rating 5)	—	—	—	—	—	4,700	4,700	—	—	—	—	—	4,700	—
Total	\$ 63,634	\$ 477,884	\$ 1,124,189	\$ 56,788	\$ 63,344	\$ 71,254	\$ 1,857,093	\$ 63,634	\$ 477,884	\$ 1,124,189	\$ 56,788	\$ 63,344	\$ 71,254	\$ 1,8
Current Period Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ (948)	\$ —	\$ (948)	\$ —	\$ —	\$ —	\$ —	\$ (948)	\$ —	\$ —

(1) Includes one novated CRE whole loan that resulted from a loan workout.

(2) The total amortized cost of CRE loans excluded accrued interest receivable of \$12.5 million \$13.9 million and \$11.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(2) (3) Acquired CRE whole loans are grouped within each loan's year of origination.

At both June 30, 2024 September 30, 2024 and December 31, 2023, we had one additional mezzanine loan included in other assets held for sale that had no carrying value.

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### Loan Portfolio Aging Analysis

The following table presents the CRE loan portfolio aging analysis as of the dates indicated for CRE loans at amortized cost (in thousands, except amounts in footnotes):

	Total Loans > 90 Days							Total Loans > 90 Days						
	30-59 Days	60-89 Days	Greater than 90 Days (1)	Total Past Due	Current (2)	Total Loans Receivable (3)	Days and Accruing	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable (1)	Days and Accruing
<b>At June 30, 2024:</b>														
<b>At September 30, 2024:</b>														
Whole loans, floating-rate	\$ —	\$ —	\$ 14,398	\$ 14,398	\$ 1,694,613	\$ 1,709,011	\$ —	\$ 94,427	\$ —	\$ —	\$ 94,427	\$ 1,481,389	\$ 1,575,816	\$ —
Mezzanine loan (4)	—	—	4,700	4,700	—	4,700	—							
Mezzanine loan (2)	—	—	4,700	4,700	—	4,700	—							
Total	\$ —	\$ —	\$ 19,098	\$ 19,098	\$ 1,694,613	\$ 1,713,711	\$ —	\$ 94,427	\$ —	\$ 4,700	\$ 99,127	\$ 1,481,389	\$ 1,580,516	\$ —
<b>At December 31, 2023:</b>														
Whole loans, floating-rate	\$ —	\$ —	\$ 41,152	\$ 41,152	\$ 1,811,241	\$ 1,852,393	\$ 19,127	\$ —	\$ —	\$ 41,152	\$ 41,152	\$ 1,811,241	\$ 1,852,393	\$ 19,127
Mezzanine loan (4)	—	—	4,700	4,700	—	4,700	—							
Mezzanine loan (2)	—	—	4,700	4,700	—	4,700	—							
Total	\$ —	\$ —	\$ 45,852	\$ 45,852	\$ 1,811,241	\$ 1,857,093	\$ 19,127	\$ —	\$ —	\$ 45,852	\$ 45,852	\$ 1,811,241	\$ 1,857,093	\$ 19,127

(1) During the three and six months ended June 30, 2024, we recognized interest income of \$258,000 and \$922,000, respectively, on one CRE whole loan with a principal payment past due greater than 90 days at June 30, 2024. During the three and six months ended June 30, 2023, we recognized interest income of \$837,000 and \$1.8 million, respectively, on one CRE whole loan with a principal payment past due greater than 90 days at June 30, 2023.

(2) Includes three CRE whole loans, with total amortized costs of \$88.5 million, that are past due on interest payments at June 30, 2024.

(3) The total amortized cost of CRE loans excluded accrued interest receivable of \$12.5 million \$13.9 million and \$11.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(4) Fully reserved at both June 30, 2024 September 30, 2024 and December 31, 2023.

At June 30, 2024 September 30, 2024 and December 31, 2023, we had four and three CRE whole loans, with total amortized costs of \$102.9 million \$94.4 million and \$41.2 million, respectively, and one mezzanine loan, with a total amortized cost of \$4.7 million, in payment default.

During the three and nine months ended September 30, 2024, we recognized interest income of \$204,000 and \$338,000, respectively, on one CRE whole loan that was placed on nonaccrual status. In both the three and nine months ended September 30, 2023, we recognized interest income of \$335,000 on two CRE whole loans that were placed on nonaccrual status.

### Loan Modifications

We are required to disclose modifications where we determined the borrower is experiencing financial difficulty and modified the agreement to: (i) forgive principal, (ii) reduce the interest rate, (iii) cause an other-than-insignificant payment delay, (iv) extend the loan term, or (v) any combination thereof.

During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we entered into the following three loan modifications that required disclosure:

- A multifamily loan with an amortized cost of **\$52.9 million** **\$53.0 million**, representing **3.1%** **3.4%** of the total amortized cost of the portfolio, was modified to: (i) extend maturity from June 2025 to June 2026, (ii) reduce its current interest rate from **BR + one-month Term SOFR plus a spread of 3.70%** to **BR + one-month Term SOFR spread of 1.70%**, and (iii) defer interest of 2.00% that will be due at payoff. In connection with the modification, the borrower funded additional capital into the project interest reserves to cover debt service.
- A multifamily loan with an amortized cost of **\$44.1 million** **\$44.4 million**, representing **2.6%** **2.8%** of the total amortized cost of the portfolio, was modified to: (i) reduce current pay interest rate from **BR + one-month Term SOFR plus a spread of 3.31%** to a 5.00% fixed rate and (ii) defer the unpaid interest that will be due at loan payoff. In connection with the modification, the borrower funded additional capital into the project interest reserves to cover debt service.
- A multifamily loan with an amortized cost of **\$70.6 million** **\$70.7 million**, representing **4.1%** **4.5%** of the total amortized cost of the portfolio, was modified to: (i) extend maturity from January 2025 to January 2026 and (ii) provide for 2.00% per annum of the interest rate to be deferred until payoff. We also entered into a mezzanine loan with a total commitment of \$6.0 million, of which **\$2.3 million** **\$3.0 million** was funded **at June 30, 2024** **as of September 30, 2024**. The loan has a fixed rate of 15.00% and will be due at payoff in January 2026. In connection with the modification, the borrower renewed the interest rate cap.

These loans were performing in accordance with the modified contractual terms as of **June 30, 2024** **September 30, 2024**. At **June 30, 2024** **September 30, 2024**, two of these loans, with a total amortized cost of **\$123.7 million**, had a risk rating of **"4."** **"4"** and one loan, with an amortized cost of **\$44.4 million**, had a risk rating of **"3"**. Loans with a risk rating of **"3"** and **"4"** are included in the determination of our general CECL reserves.

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During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we did not enter into any loan modifications for borrowers that were experiencing financial difficulty.

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## Restricted Cash

At **June 30, 2024** **September 30, 2024**, we had restricted cash of **\$2.0 million**, which consisted of **\$1.1 million** held in reserve for a construction loan, and **\$825,000** **\$961,000** held in escrow for deposits or tax payments at our real estate properties or pledged with minimum reserve balance requirements. At December 31, 2023, we had restricted cash of \$8.4 million, which consisted of \$7.6 million held in reserve for a construction loan, and \$800,000 held in escrow for deposits or tax payments at our real estate properties or pledged with minimum reserve balance requirements. The decrease of **\$6.4 million** **\$7.5 million** was primarily attributable to a decrease in restricted cash at our investments in real estate that was used to fund planned construction.

## Accrued Interest Receivable

The following table summarizes our accrued interest receivable at **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023	Net Change	September 30, 2024	December 31, 2023	Net Change
Accrued interest receivable from loans	\$ 12,496	\$ 11,750	\$ 746	\$ 13,931	\$ 11,750	\$ 2,181
Accrued interest receivable from promissory note, escrow, sweep and reserve accounts	59	33	26	13	33	(20)
Total	\$ 12,555	\$ 11,783	\$ 772	\$ 13,944	\$ 11,783	\$ 2,161

The increase of **\$772,000** **\$2.2 million** in accrued interest receivable was primarily attributable to accrued deferred interest on modified loans offset by loan payoffs.

## Other Assets

The following table summarizes our other assets at **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023	Net Change	September 30, 2024	December 31, 2023	Net Change
Tax receivables and prepaid taxes	\$ 213	\$ 214	\$ (1)	\$ 212	\$ 214	\$ (2)
Other receivables	2,044	565	1,479	3,304	1,913	1,391
Other prepaid expenses	1,315	1,913	(598)	1,407	566	841
Fixed assets - non real estate	258	281	(23)	249	281	(32)
Other assets, miscellaneous	718	617	101	799	616	183
Total	\$ 4,548	\$ 3,590	\$ 958	\$ 5,971	\$ 3,590	\$ 2,381

The increase of **\$958,000** **\$2.4 million** in other assets was primarily attributable to increases in various receivables and prepaid accounts held at our real estate properties, offset by amortization.

#### Deferred Tax Assets

At both **June 30, 2024** **September 30, 2024** and December 31, 2023, our net deferred tax asset was zero, resulting from a full valuation allowance of **\$21.5 million** **\$21.4 million** and \$21.1 million, respectively, on our gross deferred tax asset as we believed it was more likely than not that some or all of the deferred tax assets would not be realized. We will continue to evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing forecasted taxable income using both historical and projected future operating results, the reversal of existing temporary differences, taxable income in prior carry back years (if permitted) and the availability of tax planning strategies.

#### Derivative Instruments

Historically, we sought to mitigate the potential impact on net income (loss) of adverse fluctuations in interest rates incurred on our borrowings by entering into hedging agreements. We classified our interest rate hedges as cash flow hedges, which are hedges that eliminate the risk of changes in the cash flows of a financial asset or liability.

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We terminated interest rate swap positions associated with our prior financed CMBS portfolio in April 2020. At termination, we realized a loss of \$11.8 million. At **June 30, 2024** **September 30, 2024** and December 31, 2023, we had a loss of **\$4.1 million** **\$3.7 million** and \$5.0 million, respectively, recorded in accumulated other comprehensive loss, which ~~will be~~ **is being** amortized into earnings over the remaining life of the debt. During the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded amortization expense of **\$420,000** **\$425,000** and **\$840,000**, **\$1.3 million**, respectively, reported in interest expense on the consolidated statements of operations. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, we recorded amortization expense of **\$420,000** **\$425,000** and **\$835,000**, **\$1.3 million**, respectively, reported in interest expense on the consolidated statements of operations.

At **June 30, 2024** **September 30, 2024** and December 31, 2023, we had unrealized gains of **\$119,000** **\$96,000** and \$164,000, respectively, attributable to two terminated interest rate swaps, in accumulated other comprehensive loss on the consolidated balance sheets, to be accreted into earnings over the remaining life of the debt. During both the three months ended **June 30, 2024** **September 30, 2024** and 2023, we recorded accretion income, reported in interest expense on the consolidated statements of operations, of \$23,000, to accrete the accumulated other comprehensive income on the terminated swap agreements. For each of the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we recorded accretion income, reported in interest expense on the consolidated statements of operations, of **\$46,000** **\$69,000** and **\$45,000**, **\$68,000**, respectively, to accrete the accumulated other comprehensive income on the terminated swap agreements.

The following tables present the effect of derivative instruments on our consolidated statements of operations for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands):

	Consolidated Statements of Operations Location	Realized and Unrealized Gain (Loss) <sup>(1)</sup>	
		Six Months Ended June 30,	
		Six Months Ended June 30, 2024	2023
Interest rate swap contracts, hedging	Interest expense	\$ (795)	\$ (790)
		Realized and Unrealized Gain (Loss) <sup>(1)</sup>	

	Consolidated Statements of Operations Location	Nine Months Ended September	Nine Months Ended
		30, 2024	September 30, 2023
Interest rate swap contracts, hedging	Interest expense	\$ (1,196)	\$ (1,192)

(1) Negative values indicate a decrease to the associated consolidated statement of operations line items.

## Financing Arrangements

Borrowings under our financing arrangements are guaranteed by us or one or more of our subsidiaries. The following table sets forth certain information with respect to our borrowings (dollars in thousands, except amounts in footnotes):

	June 30, 2024				December 31, 2023			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
<b>Senior Secured Financing Facility</b>								
Massachusetts Mutual Life Insurance Company <sup>(1)</sup>	\$ 60,539	\$ 159,893	6	9.11%	\$ 61,568	\$ 157,722	7	9.14%
<b>CRE - Term Warehouse Financing Facilities <sup>(2)</sup></b>								
JPMorgan Chase Bank, N.A. <sup>(3)</sup>	90,670	155,691	5	7.81%	74,694	125,044	4	7.82%
Morgan Stanley Mortgage Capital Holdings LLC <sup>(4)</sup>	72,847	106,998	6	8.17%	93,894	129,037	7	8.07%
<b>Mortgages Payable</b>								
ReadyCap Commercial, LLC <sup>(5)</sup>	19,926	25,400	1	9.13%	19,365	25,400	1	9.16%
Oceanview Life and Annuity Company <sup>(6)(7)</sup>	28,978	76,351	1	11.33%	7,330	58,339	1	11.37%
Florida Pace Funding Agency <sup>(6)(8)</sup>	15,098	—	—	7.26%	15,091	—	—	7.26%
Total	\$ 288,058	\$ 524,333			\$ 271,942	\$ 495,542		

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	September 30, 2024				December 31, 2023			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
<b>Senior Secured Financing Facility</b>								
Massachusetts Mutual Life Insurance Company <sup>(1)</sup>	\$ 60,724	\$ 161,303	6	8.87%	\$ 61,568	\$ 157,722	7	9.14%
<b>CRE - Term Warehouse Financing Facilities <sup>(2)</sup></b>								
JPMorgan Chase Bank, N.A. <sup>(3)</sup>	90,843	157,633	5	7.57%	74,694	125,044	4	7.82%
Morgan Stanley Mortgage Capital Holdings LLC <sup>(4)</sup>	73,037	106,998	6	7.85%	93,894	129,037	7	8.07%
<b>Mortgages Payable</b>								
ReadyCap Commercial, LLC <sup>(5)</sup>	20,171	26,925	1	8.91%	19,365	25,400	1	9.16%
Oceanview Life and Annuity Company <sup>(6)(7)</sup>	38,643	91,284	1	11.10%	7,330	58,339	1	11.37%
Florida Pace Funding Agency <sup>(6)(8)</sup>	15,102	—	—	7.26%	15,091	—	—	7.26%

Total	\$ 298,520	\$ 544,143	\$ 271,942	\$ 495,542
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- (1) Includes \$2.6 million \$2.4 million and \$2.9 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (2) Outstanding borrowings include accrued interest payable.
- (3) Includes \$1.3 million \$1.1 million and \$1.6 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (4) Includes \$265,000 \$71,000 and \$647,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (5) Includes \$155,000 \$121,000 and \$259,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (6) Outstanding borrowings are collateralized by a student housing construction project. Value of collateral and number of positions as collateral related to Oceanview Life and Annuity Company also applies to Florida Funding Agency.
- (7) Includes \$708,000 \$405,000 and \$1.3 million of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.
- (8) Includes \$412,000 \$408,000 and \$419,000 of deferred debt issuance costs at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

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We were in compliance with all covenants in the respective agreements at June 30, 2024 September 30, 2024 and December 31, 2023.

### Senior Secured Financing Facility

In July 2020, an indirect, wholly-owned subsidiary of ours ("Holdings"), along with its direct wholly-owned subsidiary (the "Borrower"), entered into a \$250.0 million loan and servicing agreement (the "MassMutual Loan Agreement") with Massachusetts Mutual Life Insurance Company ("MassMutual") and the other lenders party thereto (the "Lenders") to form an asset-based revolving loan facility ("MassMutual Facility") to finance our core CRE lending business. The MassMutual Facility initially had an interest rate of 5.75% per annum payable monthly and initially matured on July 31, 2027.

In December 2022, Holdings, the Borrower and the Lenders entered into an Amended and Restated Loan and Servicing Agreement, which amends and restates the MassMutual Loan Agreement, and reflects a senior secured term loan facility, not to exceed \$500.0 million, composed of individual loan series issued upon mutual agreement of the Borrower and Lenders. Each loan series will be available for three months after the closing date agreed upon by the Borrower and Lender ("Commitment Period"), subject to the maximum dollar amount agreed upon for that series. The Commitment Period is subject to immediate termination upon the occurrence of an event of default. Each loan series will have a final maturity of five years from the issuance date for the loan series unless an additional time is mutually agreed upon by the Lenders and Borrower. The advance rate on portfolio assets will be mutually agreed upon by the Lenders and Borrower. Each loan series will have its own mutually agreed upon interest rate equal to one-month Term SOFR plus the applicable spread.

### CRE - Term Warehouse Financing Facilities

In October 2018, an indirect, wholly-owned subsidiary of ours entered into a master repurchase agreement (the "JPMorgan Chase Facility") with JP Morgan Chase to finance the origination of CRE loans. As amended, the JPMorgan Chase Facility has a maximum facility amount of \$250.0 million, charges interest of one-month benchmark plus market spreads and has a maturity date of July 2026.

In November 2021, an indirect, wholly-owned subsidiary of ours entered into a master repurchase and securities contract agreement (the "Morgan Stanley Facility") with Morgan Stanley Mortgage Capital Holdings LLC ("Morgan Stanley") to finance the origination of CRE loans. As amended, the Morgan Stanley Facility has a maximum facility amount of \$250.0 million, charges interest of one-month Term SOFR plus market spreads and matures in November 2024. We also have the right to request a one-year extension. In November 2024, we entered into Amendment No. 3 to Guaranty (the "Morgan Stanley Amendment") by and between us and Morgan Stanley, which makes certain amendments and modifications to the Guaranty, dated November 3, 2021 between us and Morgan Stanley as amended (the "MS Guaranty") including but not limited to amending the EBITDA to Interest Expense ratio (as defined in the MS Guaranty) through the quarter ending December 2025 and extending the Morgan Stanley Facility to November 2025. See Part II, Item 5 "Other Information".

### Mortgages Payable

In April 2022, Chapel Drive West, LLC, a wholly owned subsidiary of Charles Street – ACRES FSU Student Venture, LLC entered into a Loan Agreement (the "Mortgage") with Readycap Commercial, LLC ("Readycap") to finance the acquisition of a student housing complex. The Mortgage is interest only and has a maximum principal balance of \$20.4 million, of which, \$18.7 million was advanced in the initial funding. The Mortgage charges interest of one-month Term SOFR plus a spread of 3.80% and matures in April 2025, subject to two one-year extension options.

The Mortgage contains events of default, subject to certain materiality thresholds and grace periods, customary for this type of financing arrangement. The remedies for such events of default are also customary for this type of transaction.

In January 2023, Chapel Drive East, LLC, a wholly owned subsidiary of the FSU Student Venture, entered into a loan agreement (the "Construction Loan Agreement") with Oceanview Life and Annuity Company ("Oceanview") to finance the construction of a student housing complex (the "Construction Loan"). The Construction Loan is interest only

and has a maximum principal balance of \$48.0 million. The Construction Loan charges one-month Term SOFR plus a spread of 6.00% and matures in February 2025, subject to three one-year extension options.

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In addition to the Construction Loan, Chapel Drive East, LLC entered into a financing agreement with Florida Pace Funding Agency to fund energy efficient building improvements and has a maximum principal balance of \$15.5 million. This agreement charges fixed interest of 7.26% and matures in July 2053. **Until July 2024, accrued interest will be added to the principal balance.** We do not guarantee this financing agreement.

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In connection with our investment in the student housing complex, ACRES RF entered into guarantees related to the Construction Loan. Pursuant to the guarantees, Jason Pollack, Frank Dellaglio and ACRES RF (collectively, the "Guarantors"), for the benefit of Oceanview, provided limited "bad boy" guaranties to Oceanview pursuant to the Construction Loan Agreement until the earlier of the payment in full of the indebtedness or the date of a sale of the property pursuant to a foreclosure of the mortgage or deed or other transfer in lieu of foreclosure is accepted by Oceanview. The Guarantors also entered into a Completion Guaranty Agreement for the benefit of Oceanview to guaranty the timely completion of the project in accordance with the Construction Loan Agreement, as well as a Carry Guaranty Agreement, for the benefit of Oceanview to guaranty unconditional payment by Chapel Drive East, LLC of all customary or necessary costs and expenses incurred in connection with the operation, maintenance and management of the property and an Environmental Indemnity Agreement jointly and severally in favor of Oceanview whereby the Guarantors provided environmental representations and warranties, covenants and indemnifications (collectively the "Guaranties"). The Guaranties include certain financial covenants required of ACRES RF, including required net worth and liquidity requirements.

## Securitizations

At **June 30, 2024** **September 30, 2024**, we retained equity in two CRE loan securitizations that we executed, as follows:

### ACR 2021-FL1

In May 2021, we closed ACR 2021-FL1, an \$802.6 million CRE debt securitization transaction that provided financing for CRE loans. ACR 2021-FL1 included a reinvestment period, which ended in May 2023, that allowed it to acquire CRE loans for reinvestment into the securitization using uninvested principal proceeds. ACR 2021-FL1 issued a total of \$675.2 million of non-recourse, floating-rate notes to third parties at par. We retained 100% of the Class F and Class G notes in addition to 100% of the outstanding preference shares. The preference shares are subordinated in right of payment to all other securities issued by ACR 2021-FL1. All notes issued mature in June 2036, although we have the right to call the notes beginning on the payment date in May 2023 and thereafter. As of **June 30, 2024** **September 30, 2024**, we had not exercised this right.

### ACR 2021-FL2

In December 2021, we closed ACR 2021-FL2, a \$700.0 million CRE debt securitization transaction that provided financing for CRE loans. ACR 2021-FL2 includes a reinvestment period, which ends in December 2023, that allows it to acquire CRE loans for reinvestment into the securitization using uninvested principal proceeds. ACR 2021-FL2 issued a total of \$567.0 million of non-recourse, floating-rate notes to third parties at par. We retained 100% of the Class F and Class G notes in addition to 100% of the outstanding preference shares. The preference shares are subordinated in right of payment to all other securities issued by ACR 2021-FL2. All notes issued mature in January 2037, although we have the right to call the notes beginning on the payment date in December 2023 and thereafter. As of **June 30, 2024** **September 30, 2024**, we had not exercised this right.

## Corporate Debt

### 5.75% Senior Unsecured Notes Due 2026

On August 16, 2021, we issued \$150.0 million of our 5.75% senior unsecured notes due 2026 (the "5.75% Senior Unsecured Notes") pursuant to our Indenture, dated August 16, 2021 (the "Base Indenture"), between Wells Fargo, now Computershare Trust Company, N.A. ("CTC"), as trustee (the "Trustee"), and us as supplemented by the First

Supplemental Indenture, dated August 16, 2021, between Wells Fargo, now CTC, and us (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"). Prior to May 15, 2026, we may at our option redeem the 5.75% Senior Unsecured Notes, in whole or in part, at a redemption price equal to the sum of (i) 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, and (ii) a make-whole premium. On or after May 15, 2026, we may at our option redeem the 5.75% Senior Unsecured Notes, at any time, in whole or in part, on not less than 15 days nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the 5.75% Senior Unsecured Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

Unsecured Junior Subordinated Debentures

During 2006, we formed RCT I and RCT II for the sole purpose of issuing and selling capital securities representing preferred beneficial interests. RCT I and RCT II are not consolidated into our consolidated financial statements because we are not deemed to be the primary beneficiary of these entities. In connection with the issuance and sale of the capital securities, we issued junior subordinated debentures to RCT I and RCT II of \$25.8 million each, representing our maximum exposure to loss. The debt issuance costs associated

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with the junior subordinated debentures for RCT I and RCT II were included in borrowings and were amortized into interest expense on the consolidated statements of operations using the effective yield method over a ten year period.

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There were no unamortized debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II outstanding at June 30, 2024 September 30, 2024 and December 31, 2023. The interest rates for RCT I and RCT II, at June 30, 2024 September 30, 2024, were 9.51% 9.54% and 9.54% 9.47%, respectively. The interest rates for RCT I and RCT II, at December 31, 2023, were 9.61% and 9.60%, respectively.

Equity

Total equity at June 30, 2024 September 30, 2024 was \$444.4 million \$446.9 million compared to total equity at December 31, 2023 of \$446.2 million. The decrease increase in equity during the six nine months ended June 30, 2024 September 30, 2024 was primarily attributable to current earnings offset by common stock and preferred stock repurchases offset by current earnings and dividends on preferred stock for the six nine months ended June 30, 2024 September 30, 2024.

Our preferred equity is composed of the following at June 30, 2024 September 30, 2024:

- 4.8 million shares of 8.625% fixed to floating rate Series C cumulative redeemable preferred stock with a \$25.00 per share liquidation preference ("Series C Preferred Stock"). The Series C Preferred Stock has no maturity date and we are not required to redeem it at any time. However, we may redeem it at our election, in whole or in part, on or after July 30, 2024. Effective July 30, 2024, the Series C Preferred Stock converted from its fixed rate of 8.625% to a floating rate equal to three-month SOFR plus a spread of 5.927%, but at no time shall the floating rate be less than 8.625%. Dividends are payable quarterly in arrears.
- 4.5 million shares of fixed 7.875% Series D cumulative redeemable preferred stock with a \$25.00 per share liquidation preference ("Series D Preferred Stock"). The Series D Preferred Stock has no maturity date and we are not required to redeem it at any time. However, we may redeem it at our election, in whole or in part, on or after May 15, 2026. Dividends are payable quarterly in arrears.

Balance Sheet - Book Value Reconciliation

The following table rolls forward our common stock book value for the three and six nine months ended June 30, 2024 September 30, 2024 (in thousands, except per share data and amounts in footnotes):

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Total Amount	Per Share Amount	Total Amount	Per Share Amount
Common stock book value at beginning of period (1)	\$ 208,787	\$ 27.25	\$ 209,306	\$ 26.65

Net income allocable to common shares <sup>(2)</sup>	1,653	0.21	2,209	0.29
Change in other comprehensive income on derivatives	398	0.05	795	0.10
Repurchase of common stock <sup>(3)</sup>	(1,555)	0.21	(3,624)	0.61
Impact to equity of share-based compensation	732	(0.52)	1,329	(0.45)
Total net increase	1,228	(0.05)	709	0.55
Common stock book value at end of period <sup>(4)</sup>	\$ 210,015	\$ 27.20	\$ 210,015	\$ 27.20

	Three Months Ended September 30, 2024		Nine Months Ended September 30, 2024	
	Total Amount	Per Share Amount	Total Amount	Per Share Amount
Common stock book value at beginning of period <sup>(1)</sup>	\$ 210,015	\$ 27.20	\$ 209,306	\$ 26.65
Net income allocable to common shares <sup>(2)</sup>	2,824	0.37	5,033	0.66
Change in other comprehensive income on derivatives	401	0.05	1,196	0.16
Repurchase of common stock <sup>(3)</sup>	(1,724)	0.19	(5,348)	0.80
Impact to equity of share-based compensation	833	0.11	2,162	(0.35)
Total net increase	2,334	0.72	3,043	1.27
Common stock book value at end of period <sup>(4)</sup>	\$ 212,349	\$ 27.92	\$ 212,349	\$ 27.92

- (1) Per share calculations exclude unvested restricted stock, as disclosed on our consolidated balance sheets, of 574,538 and 416,675 at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively, and in warrants to purchase up to 391,995 shares of common stock at both **June 30, 2024** **September 30, 2024** and December 31, 2023. The denominators for the calculations were **7,720,632** **7,606,674** and 7,853,536 shares at **30, 2024** **September 30, 2024** and December 31, 2023, respectively.
- (2) The per share amounts are calculated with the denominator referenced in footnote (1) at **June 30, 2024** **September 30, 2024**. We calculated net income per common share-diluted of **\$0.21** **\$0.36** and **\$0.28**, **\$0.63**, respectively using the weighted average diluted shares outstanding during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**.
- (3) In November 2021, our Board authorized and approved the continued use of our existing share repurchase program to repurchase up to \$20.0 million of our outstanding common stock. In November 2023, an additional : million of outstanding shares of both common and preferred stock was authorized. We purchased **2.3 million** **2.4 million** common shares for **\$23.8 million** **\$25.5 million** and 100,000 preferred shares for \$2.2 million through **30, 2024** **September 30, 2024**. Because we repurchased our common stock at significant discounts to book value, these repurchases were accretive to per share book value since the inception of the program.
- (4) We calculated common stock book value as total stockholders' equity of **\$434.0 million** **\$436.3 million** less preferred stock equity of \$224.0 million at **June 30, 2024** **September 30, 2024**.

#### Management Agreement Equity

Our monthly base management fee, as defined in our Management Agreement, is equal to 1/12 of the amount of our equity multiplied by 1.50% and is calculated and paid monthly in arrears.

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The following table summarizes the calculation of equity, as defined in the Management Agreement (in thousands):

	Amount	Amount
<b>At June 30, 2024:</b>		
<b>At September 30, 2024:</b>		
Proceeds from capital stock issuances, net <sup>(1)</sup>	\$ 1,330,472	\$ 1,330,472
Retained earnings, net <sup>(2)</sup>	(645,687)	(644,174)
Payments for repurchases of capital stock	(252,806)	(254,178)
Total	\$ 431,979	\$ 432,120

- (1) Deducts underwriting discounts and commissions and other expenses and costs relating to such issuances.
- (2) Excludes non-cash equity compensation expense incurred to date.

#### Earnings Available for Distribution



Earnings Available for Distribution ("EAD") is a non-GAAP financial measure intended to supplement our financial results computed in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and we believe EAD serves as a useful indicator for investors in evaluating our performance and ability to pay dividends.

EAD excludes the effects of certain transactions and adjustments in accordance with GAAP that we believe are not necessarily indicative of our current CRE loan portfolio and other CRE-related investments and operations. EAD excludes income (loss) from all non-core assets such as commercial finance, residential mortgage lending, certain legacy CRE loans and other non-CRE assets designated as assets held for sale at the initial measurement date of December 31, 2016.

EAD, for reporting purposes, is defined as GAAP net income (loss) allocable to common shares, excluding (i) non-cash equity compensation expense, (ii) unrealized gains and losses, (iii) non-cash provisions for credit losses, (iv) non-cash impairments on securities, (v) non-cash amortization of discounts or premiums associated with borrowings, (vi) net income or loss from a limited partnership interest owned at the initial measurement date, (vii) net income or loss from non-core assets, (viii) real estate depreciation and amortization, (ix) foreign currency gains or losses and (x) income or loss from discontinued operations. EAD may also be adjusted periodically to exclude certain one-time events pursuant to changes in GAAP and certain non-cash items.

Although pursuant to the Management Agreement we calculate incentive compensation using EAD that excludes incentive compensation payable to our Manager, we include incentive compensation payable to our Manager in calculating EAD for reporting purposes.

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The following table provides a reconciliation from GAAP net income (loss) allocable to common shares to EAD allocable to common shares for the periods presented (in thousands, except per share data):

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	Per Share		Per Share		Per Share		Per Share	
	2024	Data	2023	Data	2024	Data	2023	Data
<b>Net income (loss) allocable to common shares - GAAP</b>	\$ 1,653	\$ 0.21	\$ 817	\$ 0.10	\$ 2,209	\$ 0.28	\$ (1,599)	\$ (0.19)
<b>Reconciling Items from Continuing Operations:</b>								
Non-cash equity compensation expense	814	0.10	719	0.08	1,291	0.16	1,613	0.19
Non-cash provision for CRE credit losses	1,337	0.17	2,700	0.31	6,233	0.79	7,796	0.90
Unrealized gain on core activities	—	—	—	—	(5,835)	(0.74)	—	—
Real estate depreciation and amortization	1,247	0.16	946	0.11	2,485	0.31	1,900	0.22
Net income from non-core assets <sup>(1)</sup>	(1,053)	(0.13)	(26)	—	(1,103)	(0.13)	(52)	—
<b>Earnings Available for Distribution allocable to common shares</b>	<u>\$ 3,998</u>	<u>\$ 0.51</u>	<u>\$ 5,156</u>	<u>\$ 0.60</u>	<u>\$ 5,280</u>	<u>\$ 0.67</u>	<u>\$ 9,658</u>	<u>\$ 1.12</u>
Weighted average common shares - diluted on Earnings Available for Distribution allocable to common shares	<u>7,842</u>		<u>8,535</u>		<u>7,938</u>		<u>8,618</u>	
<b>Earnings Available for Distribution per common share - diluted</b>	<u>\$ 0.51</u>		<u>\$ 0.60</u>		<u>\$ 0.67</u>		<u>\$ 1.12</u>	

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	For the Three Months Ended September 30,	For the Nine Months Ended September 30,
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	2024	Per Share Data	2023	Per Share Data	2024	Per Share Data	2023	Per Share Data
<b>Net income allocable to common shares - GAAP</b>	\$ 2,824	\$ 0.36	\$ 2,870	\$ 0.33	\$ 5,033	\$ 0.63	\$ 1,271	\$ 0.15
Realized gain on sale of investment in real estate	—	—	—	—	—	—	(745)	(0.09)
<b>Net income allocable to common shares - GAAP, adjusted</b>	\$ 2,824	\$ 0.36	\$ 2,870	\$ 0.33	\$ 5,033	\$ 0.63	\$ 526	\$ 0.06
<b>Reconciling Items from Continuing Operations:</b>								
Non-cash equity compensation expense	833	0.10	482	0.06	2,124	0.27	2,095	0.24
Non-cash (recovery of) provision for CRE credit losses	(291)	(0.04)	1,983	0.23	5,942	0.75	9,779	1.13
Realized gain on sale of investment in real estate	—	—	—	—	—	—	745	0.09
Unrealized gain on core activities	(2,802)	(0.35)	—	—	(8,637)	(1.09)	—	—
Real estate depreciation and amortization	1,345	0.17	933	0.11	3,830	0.48	2,833	0.33
Net income from non-core assets <sup>(1)</sup>	—	—	24	—	(1,103)	(0.13)	(28)	—
<b>Earnings Available for Distribution allocable to common shares</b>	<u>\$ 1,909</u>	<u>\$ 0.24</u>	<u>\$ 6,292</u>	<u>\$ 0.73</u>	<u>\$ 7,189</u>	<u>\$ 0.91</u>	<u>\$ 15,950</u>	<u>\$ 1.85</u>
Weighted average common shares - diluted on Earnings Available for Distribution allocable to common shares	<u>7,946</u>		<u>8,593</u>		<u>7,940</u>		<u>8,610</u>	
<b>Earnings Available for Distribution per common share - diluted</b>	<u>\$ 0.24</u>		<u>\$ 0.73</u>		<u>\$ 0.91</u>		<u>\$ 1.85</u>	

(1) Non-core assets are investments and securities owned by us at the initial measurement date in (i) commercial finance, (ii) residential mortgage lending, (iii) legacy CRE loans designated as held for sale and (iv) other non assets included in assets held for sale.

For the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024, EAD in accordance with the Management Agreement, which excludes incentive compensation payable, was ~~\$4.0 million~~ \$1.9 million and ~~\$5.3 million~~ \$7.2 million, respectively, or ~~\$0.51~~ \$0.24 and ~~\$0.67~~ \$0.91, respectively, per common share outstanding. There was no incentive compensation payable incurred by us for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024.

#### Incentive Compensation Hurdle

With respect to each fiscal quarter commencing with the quarter ended December 31, 2022, an incentive management fee calculated and payable in arrears in an amount, not less than zero, equal to:

- (i) *for the first full calendar quarter ended December 31, 2022*, the product of (a) 20% and (b) the excess of (i) our EAD (as defined in the Management Agreement) for such calendar quarter, over (ii) the product of (A) our book value equity (as defined in the Management Agreement) as of the end of such calendar quarter, and (B) 7% per annum;
- (ii) *for each of the second, third and fourth full calendar quarters following the calendar quarter ended December 31, 2022*, the excess of (1) the product of (a) 20% and (b) the excess of (i) our EAD (as defined in the Management Agreement) for the calendar quarter(s) following September 30, 2022, over (ii) the product of (A) our book value equity (as defined in the Management Agreement) in the calendar quarter(s) following September 30, 2022, and (B) 7% per annum, over (2) the sum of any incentive compensation paid to our Manager with respect to the prior calendar quarter(s) following September 30, 2022 (other than the most recent calendar quarter); and

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- (iii) *for each calendar quarter thereafter*, the excess of (1) the product of (a) 20% and (b) the excess of (i) our EAD (as defined in the Management Agreement) for the previous 12-month period, over (ii) the product of (A) our book value equity (as defined in the Management Agreement) in the previous 12-month period, and (B) 7% per annum, over (2) the sum of any incentive compensation paid to our Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no incentive compensation shall be payable with respect to any calendar quarter unless EAD (as defined in the Management Agreement) for the 12 most recently completed calendar quarters (or such lesser number of completed calendar quarters from September 30, 2022) in the aggregate is greater than zero.

The following table summarizes the calculation of the Incentive Compensation Hurdle for the three months ended **June 30, 2024** **September 30, 2024** (dollars in thousands, except per share data):

Book Value Equity	Amount	Amount
Stockholders' equity less equity attributable to any outstanding preferred stock at September 30, 2022	\$ 216,026	\$ 216,026
Total amount of net proceeds from any issuance of common stock after October 1, 2022	1,863	
Cumulative EAD from and after October 1, 2022 to the end of the most recently completed calendar quarter	32,061	33,970
Amount paid to repurchase common stock after October 1, 2022 <sup>(1)</sup>	(7,190)	(9,531)
Incentive Compensation paid after October 1, 2022 <sup>(1)</sup>	(1,032)	(1,182)
Book value equity at June 30, 2024	\$ 239,865	
Book value equity at September 30, 2024	\$ 241,146	
Incentive Compensation Hurdle <sup>(2)(3)</sup>	\$ 16,791	\$ 16,880
Average closing price of 30 day period ending three days prior to issuance date	\$ 12.71	\$ 15.45

(1) Calculated on a daily weighted average basis for the 12-month period ended **June 30, 2024** **September 30, 2024**.

(2) Calculated as book value equity at **June 30, 2024** **September 30, 2024** multiplied by 1.75% (7% per annum).

(3) The amount by which EAD (as defined in the Management Agreement) exceeds the Incentive Compensation Hurdle is multiplied by 20% to arrive at incentive compensation for the quarter.

For the three months ended **June 30, 2024** **September 30, 2024**, there was no incentive compensation payable to the Manager.

## Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to pay dividends, fund investments, repay borrowings and provide for other general business needs, including payment of our base management fee and incentive compensation. Our ability to meet our on-going liquidity needs is subject to our ability to generate cash from operating activities, which was **\$10.2 million** **\$18.6 million** for the **six nine** months ended **June 30, 2024** **September 30, 2024**, and our ability to maintain and/or obtain additional debt financing and equity capital together with the funds referred to below.

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At **June 30, 2024** **September 30, 2024**, our liquidity consisted of **\$89.6 million** **\$70.1 million** of unrestricted cash and cash equivalents, and **\$8.8 million** **\$9.6 million** of potential proceeds from unlevered financeable CRE loans.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, our principal sources of liquidity were: (i) proceeds of **\$21.5 million** **\$31.1 million** from our mortgages payable; (ii) net proceeds of **\$19.2 million** **\$19.5 million** from repayments on our CRE portfolio; and (iii) proceeds of **\$19.3 million** from advances from our term warehouse financing facilities; and (iii) net proceeds of **\$18.1 million** from repayments on our CRE portfolio facilities.

These sources of liquidity were offset by our paydowns on our term warehouse facilities, deployments in CRE whole loans and real estate investments, repurchases of common and preferred stock, distributions on our preferred stock and ongoing operating expenses and substantially resulted in the **\$89.6 million** **\$70.1 million** of unrestricted cash we held at **June 30, 2024** **September 30, 2024**.

The outstanding balance of our loan to ACRES Capital Corp., the parent of our Manager, was **\$10.9 million** **\$10.8 million** and \$11.0 million at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively. The note bears interest at 3.00% per annum, payable monthly, and matures in July 2026, subject to two one-year extensions, at ACRES Capital Corp.'s option, and amortizes at a rate of \$25,000 per month.

## Cash Flows

For the **six nine** months ended **June 30, 2024** **September 30, 2024**, our restricted and unrestricted cash and cash equivalents balance decreased **\$293,000** **\$20.9 million** to **\$91.6 million** **\$71.0 million**. The cash movements can be summarized by the following:

*Cash flows from operating activities.* For the **six nine** months ended **June 30, 2024** **September 30, 2024**, operating activities increased our cash balances by **\$10.2 million** **\$18.6 million**, primarily driven by net income after removing non-cash **gain on conversion of real estate, non-cash** provision for loan losses, **and** non-cash amortization and depreciation, and net changes in other assets and liabilities.

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*Cash flows from investing activities.* For the ~~six~~nine months ended June 30, 2024 September 30, 2024, investing activities increased our cash balances by \$102.7 million \$174.6 million, primarily driven by repayments of CRE loans, partially offset by funding of existing commitments on CRE whole loans and deployments in our investment in real estate.

*Cash flows from financing activities.* For the ~~six~~nine months ended June 30, 2024 September 30, 2024, financing activities decreased our cash balances by \$113.2 million \$214.1 million, primarily driven by repayments on our term warehouse financing facilities and CRE securitization notes and distributions on our preferred stock and repurchases of our common stock and preferred stock and on our term warehouse financing facilities, partially offset by proceeds from financing on our investments in real estate and term warehouse financing facilities.

### Financing Availability

We utilize a variety of financing arrangements to finance certain assets. We generally utilize the following types of financing arrangements:

1. *Senior Secured Financing Facility:* Our senior secured financing facility allows us to borrow against loans and real estate investments that we own. This facility has an individual floating rate loan series structure that have a three month commitment period after the financing is approved by the lender, subject to the maximum dollar amount agreed upon for the series. Each floating rate loan series will have mutually agreed upon terms including (i) total commitment, including the capacity to fund future funding commitments, where applicable; (ii) advance rate on portfolio assets; (iii) interest rate composed of one-month Term SOFR plus a market rate spread; and (iv) maturity date of five years from the issuance date for the loan series unless an additional time is mutually agreed upon by the parties. The facility has a maximum portfolio LTV of 85% and contains customary events of default, subject to certain materiality thresholds and grace periods, customary for this type of financing arrangement.
2. *Term Warehouse Financing Facilities (CRE loans):* Term warehouse financing facilities effectively allow us to borrow against loans that we own. Under these agreements, we transfer loans to a counterparty and agree to purchase the same loans from the counterparty at a price equal to the transfer price plus interest. The counterparty retains the sole discretion over both whether to purchase the loan from us and, subject to certain conditions, the collateral value of such loan for purposes of determining whether we are required to pay margin to the counterparty. Generally, if the lender determines (subject to certain conditions) that the value of the collateral in a repurchase transaction has decreased by more than a defined minimum amount, we would be required to repay any amounts borrowed in excess of the product of (i) the revised collateral or market value multiplied by (ii) the applicable advance rate. During the term of these agreements, we receive the principal and interest on the related loans and pay interest to the counterparty.

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3. *Securitizations:* We seek non-recourse long-term financing from securitizations of our investments in CRE loans. The securitizations generally involve a senior portion of our loan but may involve the entire loan. Securitization generally involves transferring notes to a special purpose vehicle (or the issuing entity), which then issues one or more classes of non-recourse notes pursuant to the terms of an indenture. The notes are secured by the pool of assets. In exchange for the transfer of assets to the issuing entity, we receive cash proceeds from the sale of non-recourse notes. Securitizations of our portfolio investments might magnify our exposure to losses on those portfolio investments because the retained subordinate interest in any particular overall loan would be subordinate to the loan components sold and we would, therefore, absorb all losses sustained with respect to the overall loan before the owners of the senior notes experience any losses with respect to the loan in question.
4. *Mortgage payable:* We have entered into a loan agreement to finance the acquisition of a student housing complex. This loan is interest only and has a maximum principal balance, most of which was advanced in the initial funding. The loan agreement contains events of default, subject to certain materiality thresholds and grace periods, customary for this type of financing arrangement. The remedies for such events of default are also customary for this type of transaction.
5. *Construction loans:* We have entered into a loan agreement to finance the construction of a student housing complex. This loan is interest only and has a maximum principal balance of \$48.0 million. The loan agreement contains events of default, subject to certain materiality thresholds and grace periods, customary for this type of financing arrangement. The remedies for such events of default are also customary for this type of transaction. Additionally, we have entered into a financing agreement to fund energy efficient building improvements at this student housing complex, with a maximum principal balance of \$15.5 million.

We were in compliance with all of our covenants at **June 30, 2024** **September 30, 2024** in accordance with the terms provided in agreements with our lenders.

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At **June 30, 2024** **September 30, 2024**, we had financing arrangements as summarized below (in thousands, except amounts in footnotes):

	Execution Date	Maturity Date	Maximum Capacity	Facility Principal Outstanding	Availability	Execution Date	Maturity Date	Maximum Capacity	Facility Principal Outstanding	Availability
<b>Senior Secured Financing Facility <sup>(1)</sup></b>										
Massachusetts Mutual Life Insurance Company	July 2020	June 2028	\$ 500,000	\$ 63,099	\$ 436,901	July 2020	June 2028	\$ 500,000	\$ 63,099	\$ 436,901
<b>CRE - Term Warehouse Financing Facilities <sup>(2)</sup></b>										
JPMorgan Chase Bank, N.A.	October 2018	July 2026	250,000	91,721	158,279	October 2018	July 2026	250,000	91,721	158,279
Morgan Stanley Mortgage Capital Holdings LLC <sup>(3)</sup>	November 2021	November 2024	250,000	72,918	177,082	November 2021	November 2024	250,000	72,918	177,082
<b>Mortgages Payable</b>										
ReadyCap Commercial, LLC <sup>(4)</sup> <sup>(4)</sup>	April 2022	April 2025	20,375	20,081	294	April 2022	April 2025	20,375	20,291	84
Oceanview Life and Annuity Company <sup>(4)</sup> <sup>(5)</sup>	January 2023	February 2025	48,000	29,686	18,314	January 2023	February 2025	48,000	39,048	8,952
Florida Pace Funding Agency <sup>(5)</sup> <sup>(6)</sup>	January 2023	January 2053	15,510	15,510	-	January 2023	January 2053	15,510	15,510	-
<b>Total</b>				<b>\$ 293,015</b>					<b>\$ 302,587</b>	

(1) Excludes deferred debt issuance costs of **\$2.6 million** **\$2.4 million**.

(2) Excludes accrued interest payable of **\$452,000** **\$461,000** and deferred debt issuance costs of **\$1.6 million** **\$1.2 million**.

(3) Excludes deferred debt issuance costs of \$155,000. In November 2024, the Morgan Stanley Facility was extended to November 2025.

(4) Excludes deferred debt issuance costs of \$708,000. **\$121,000**.

(5) Excludes deferred debt issuance costs of **\$412,000**. **\$405,000**.

(6) Excludes deferred debt issuance costs of \$408,000.

The following table summarizes the average principal outstanding during the three months ended **June 30, 2024** **September 30, 2024** and December 31, 2023 and the principal outstanding on our financing arrangements at **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands, except amounts in footnotes):

Three Months Ended <b>June 30, 2024</b>	<b>June 30, 2024</b>	Three Months Ended <b>December 31, 2023</b>	<b>December 31, 2023</b>
Average Principal Outstanding	Principal Outstanding	Average Principal Outstanding	Principal Outstanding

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	Three Months Ended		Three Months Ended December					
	September 30, 2024		September 30, 2024		31, 2023		December 31, 2023	
	Average		Average		Average		Average	
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding
<b>Financing Arrangement</b>								
Senior secured financing facility <sup>(1)</sup>	\$ 63,421	\$ 63,099	\$ 64,495	\$ 64,495	\$ 63,099	\$ 63,099	\$ 64,495	\$ 64,495
Term warehouse financing facilities - CRE loans <sup>(2)</sup>	165,899	164,639	226,373	170,322	164,639	164,639	226,373	170,322
<b>Total</b>	<b>\$ 229,320</b>	<b>\$ 227,738</b>	<b>\$ 290,868</b>	<b>\$ 234,817</b>	<b>\$ 227,738</b>	<b>\$ 227,738</b>	<b>\$ 290,868</b>	<b>\$ 234,817</b>

- (1) Principal outstanding excludes accrued interest payable of \$287,000 \$280,000 and \$311,000 and deferred debt issuance costs of \$2.6 million \$2.4 million and \$2.9 million at June 30, 2024 September 30, 2024 and Dec 31, 2023, respectively.
- (2) Principal outstanding excludes accrued interest payable of \$452,000 \$461,000 and \$539,000 and deferred debt issuance costs of \$1.6 million \$1.2 million and \$2.3 million at June 30, 2024 September 30, 2024 and Dec 31, 2023, respectively.

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The following table summarizes the maximum month-end principal outstanding on our financing arrangements during the periods presented (in thousands):

Financing Arrangement	Maximum Month-End Principal Outstanding During the		Maximum Month-End Principal Outstanding During the	
	Six Months Ended June 30, 2024	Year Ended December 31, 2023	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Senior secured financing facility	\$ 64,495	\$ 64,495	\$ 64,495	\$ 64,495
Term warehouse financing facilities - CRE loans	189,563	333,834	189,563	333,834

Historically, we have financed the acquisition of our investments through collateralized debt obligations ("CDO") and securitizations that essentially match the maturity and repricing dates of these financing vehicles with the maturities and repricing dates of our investments. In the past, we have derived substantial operating cash from our equity investments in our CDOs and securitizations, which will cease if the CDOs and securitizations fail to meet certain tests. Through June 30, 2024 September 30, 2024, we did not experience difficulty in maintaining our existing CDO and securitization financing and passed all of the critical tests required by these financings. Our securitizations collectively had balances of \$1.1 billion \$993.6 million and \$1.2 billion at June 30, 2024 September 30, 2024 and December 31, 2024 December 31, 2023, respectively.

The following table sets forth the distributions received by us and coverage test summaries for our active securitizations for the periods presented (in thousands):

Name	Cash Distributions		Overcollateralization		Annualized Interest Coverage		Cash Distributions		Overcollateralization		Annualized Interest Coverage	
	Cushion <sup>(1)</sup>		Cushion <sup>(2)(3)</sup>		Cushion <sup>(2)(3)</sup>		Cushion <sup>(1)</sup>		Cushion <sup>(2)(3)</sup>		Cushion <sup>(2)(3)</sup>	
	For the Six Months Ended	Year Ended	Initial Measurement	Reinvestment	For the Six Months Ended	Year Ended	For the Nine Months Ended	Year Ended	At	Initial Measurement	At	Reinvestment
	June 30, 2024	December 31, 2023	At June 30, 2024	Date	At June 30, 2024	Period End <sup>(4)</sup>	September 30, 2024	December 31, 2023	September 30, 2024	Date	September 30, 2024	Period End <sup>(4)</sup>

ACR																						
2021-FL1	\$	9,060	\$	24,923	\$	19,135	\$	6,758	\$	11,853	May 2023	\$	13,546	\$	24,923	\$	23,830	\$	6,758	\$	5,838	May 2023
ACR																						
2021-FL2		9,128		19,652		22,527		5,652		6,946	December 2023		13,363		19,652		44,788		5,652		9,460	December 2023

- (1) Overcollateralization cushion represents the amount by which the collateral held by the securitization issuer exceeds the minimum amount required.  
(2) Interest coverage includes annualized amounts based on the most recent trustee statements.  
(3) Interest coverage cushion represents the amount by which annualized interest income expected exceeds the annualized amount payable on our active securitizations.  
(4) The reinvestment period is the period in which principal proceeds received may be used to acquire CRE loans or the funded commitments of existing collateral for reinvestment into the securitization.

Our leverage ratio, defined as the ratio of borrowings to total equity, may vary as a result of the various funding strategies we use. At **June 30, 2024** **September 30, 2024** and December 31, 2023, our leverage ratio under GAAP was **3.6** **3.3** and 3.8 times, respectively. The leverage ratio decreased during the period **primarily** due to the net decrease in borrowings **in combination with offset by** a net **decrease** **increase** to total equity.

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#### Contractual Obligations and Commitments

	Contractual Commitments				
	(dollars in thousands, except amounts in footnotes)				
	Payments due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<b>At September 30, 2024:</b>					
CRE securitizations	\$ 993,593	\$ —	\$ —	\$ —	\$ 993,593
Senior secured financing facility <sup>(1)</sup>	63,099	—	—	63,099	—
CRE - term warehouse financing facilities <sup>(2)</sup>	165,100	73,108	91,992	—	—
Mortgages payable <sup>(3)</sup>	74,849	59,339	—	—	15,510
5.75% Senior Unsecured Notes <sup>(4)</sup>	150,000	—	150,000	—	—
Unsecured junior subordinated debentures <sup>(5)</sup>	51,548	—	—	—	51,548
Lease liabilities <sup>(6)</sup>	852,980	1,670	5,796	6,333	839,181
Unfunded commitments on CRE loans <sup>(7)</sup>	78,374	65,137	13,237	—	—
Base management fees <sup>(8)</sup>	6,482	6,482	—	—	—
<b>Total</b>	<b>\$ 2,436,025</b>	<b>\$ 205,736</b>	<b>\$ 261,025</b>	<b>\$ 69,432</b>	<b>\$ 1,899,832</b>

- (1) Excludes \$280,000 of accrued interest payable.  
(2) Includes \$461,000 of accrued interest payable.  
(3) Excludes \$689,000 of accrued interest payable.  
(4) Excludes \$18.4 million of interest expense payable through maturity in August 2026.  
(5) Excludes \$23.5 million and \$24.6 million of estimated interest expense payable through maturity, in June 2036 and October 2036, respectively.  
(6) Lease liabilities includes a ground rent lease for a hotel property with a term of 92 years and an annual growth rate of 3%.  
(7) Unfunded commitments on our originated CRE loans generally fall into two categories: (i) pre-approved capital improvement projects and (ii) new or additional construction costs subject, in each case, to the borrower met specified criteria. Upon completion of the improvements or construction, we would receive additional interest income on the advanced amount. At September 30, 2024, we had unfunded commitments on 39 CRE whole loans.  
(8) Base management fees presented are based on an estimate of base management fees payable to our Manager over the next 12 months. Our Management Agreement also provides for an incentive compensation arrangement that is based on operating performance. The incentive compensation is not a fixed and determinable amount, and therefore it is not included in this table.

#### Net Operating Losses and Loss Carryforwards

The following table sets forth the net operating losses and loss carryforwards for the periods presented (in millions):

Tax Asset Item	Tax Year	REIT (QRS) Tax Loss		TRS Tax Loss		Tax Year	REIT (QRS) Tax Loss		TRS Tax Loss	
	Recognized	Carryforwards		Carryforwards		Recognized	Carryforwards		Carryforwards	
		Operating	Capital	Operating	Capital		Operating	Capital	Operating	Capital

<b>Net Operating Loss</b>									
<b>Carryforwards:</b>									
Cumulative as of 2022	2022 Return	\$	46.6	\$	—	\$	60.2	\$	—
Cumulative as of 2023	2023 Return	\$	32.1	\$	—	\$	60.9	\$	—
<b>Net Capital Loss</b>									
<b>Carryforwards:</b>									
Cumulative as of 2022	2022 Return		—		121.9		—		1.0
Cumulative as of 2023	2023 Return		—		121.9		—		1.0
<b>Total tax asset estimates</b>		\$	46.6	\$	121.9	\$	60.2	\$	1.0
Useful life			Unlimited		5 years		Various		5 years

At **June 30, 2024** **September 30, 2024**, we have **\$46.6 million** **\$32.1 million** of cumulative net operating losses ("NOL") to carry forward to future years. NOL can generally be carried forward to offset both ordinary taxable income and capital gains in future years. The Tax Cuts and Jobs Act ("TCJA"), along with revisions made by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act reduced the deduction for NOLs **generated post 2017** to 80% of taxable income and granted an indefinite carryforward period. Additionally, we have cumulative **total** net capital losses of \$121.9 million, which are set to expire at December 31, 2025. **During the year ended December 31, 2023, we generated \$14.6 million of taxable income which was offset by our cumulative NOL. This was reported on our tax return that was filed in October 2024.**

We also have tax assets in our taxable REIT subsidiaries ("TRS"). These tax assets are analyzed and disclosed quarterly in our financial statements. At **June 30, 2024** **September 30, 2024**, our TRSs have **\$60.2 million** **\$60.9 million** of NOLs comprising: \$39.8 million of pre-TCJA NOLs, some of which are set to expire beginning in 2044 and **\$20.4 million** **\$21.1 million** of NOLs with an indefinite carryforward period. Additionally, our TRSs have cumulative total net capital losses of \$1.0 million, which are set to expire at December 31, 2024.

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## Distributions

We did not pay distributions on our common shares during the **six nine** months ended **June 30, 2024** **September 30, 2024** as we were focused on prudently retaining and managing sufficient excess liquidity. As a result of losses during 2020, we received significant NOL carryforwards and net capital loss carryforwards, as finalized in our 2020 tax return. We intend to retain taxable income by utilizing our NOL carryforwards and expect to generate capital gains to use a portion of our net capital loss carryforwards, thereby growing book value and our investable equity base. As we continue to take steps necessary to stabilize our earnings available for distribution, our Board expects to establish a plan for the prudent resumption of the payment of common share distributions. No assurance, however, can be given as to the amounts or timing of future distributions as such distributions are subject to our earnings, financial condition, capital requirements and such other factors as our Board deems relevant.

We intend to continue to make regular quarterly distributions to holders of our preferred stock.

U.S. federal income tax law generally requires that a REIT distribute at least 90% of its REIT taxable income annually, determined without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating and debt service requirements on our repurchase agreements and other debt payable. If our cash available for distribution 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.

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## Contractual Obligations and Commitments



Contractual Commitments					
(dollars in thousands, except amounts in footnotes)					
	Payments due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<b>At June 30, 2024:</b>					
CRE securitizations	\$ 1,097,825	\$ —	\$ —	\$ —	\$ 1,097,825
Senior secured financing facility <sup>(1)</sup>	63,099	—	—	63,099	—
CRE - term warehouse financing facilities <sup>(2)</sup>	165,092	73,112	91,980	—	—
Mortgages payable <sup>(3)</sup>	65,277	49,767	—	—	15,510
5.75% Senior Unsecured Notes <sup>(4)</sup>	150,000	—	150,000	—	—
Unsecured junior subordinated debentures <sup>(5)</sup>	51,548	—	—	—	51,548
Lease liabilities <sup>(6)</sup>	853,583	1,657	5,739	6,271	839,916
Unfunded commitments on CRE loans <sup>(7)</sup>	89,050	46,612	42,438	—	—
Base management fees <sup>(8)</sup>	6,480	6,480	—	—	—
<b>Total</b>	<b>\$ 2,541,954</b>	<b>\$ 177,628</b>	<b>\$ 290,157</b>	<b>\$ 69,370</b>	<b>\$ 2,004,799</b>

(1) Excludes \$287,000 of accrued interest payable.

(2) Includes \$452,000 of accrued interest payable.

(3) Excludes \$168,000 of accrued interest payable.

(4) Excludes \$21.6 million of interest expense payable through maturity in August 2026.

(5) Excludes \$24.0 million and \$25.1 million of estimated interest expense payable through maturity, in June 2036 and October 2036, respectively.

(6) Lease liabilities includes a ground rent lease for a hotel property with a term of 92 years and an annual growth rate of 3%.

(7) Unfunded commitments on our originated CRE loans generally fall into two categories: (i) pre-approved capital improvement projects and (ii) new or additional construction costs subject, in each case, to the borrower meeting specified criteria. Upon completion of the improvements or construction, we would receive additional interest income on the advanced amount. At June 30, 2024, we had unfunded commitments on 45 CRE whole loans.

(8) Base management fees presented are based on an estimate of base management fees payable to our Manager over the next 12 months. Our Management Agreement also provides for an incentive compensation arrangement that is based on operating performance. The incentive compensation is not a fixed and determinable amount, and therefore it is not included in this table.

## Off-Balance Sheet Arrangements

### General

At **June 30, 2024** **September 30, 2024**, we did not maintain any relationships with unconsolidated entities or financial partnerships that were established for the purpose of facilitating off-balance sheet arrangements or contractually narrow or limited purposes, although we do have interests in unconsolidated entities not established for those purposes. At **June 30, 2024** **September 30, 2024**, we had not guaranteed obligations of any unconsolidated entities or entered into any commitment or letter of intent to provide additional funding to any such entities.

### Unfunded Commitments

In the ordinary course of business, we make commitments to borrowers whose loans are in our CRE loan portfolio to provide additional loan funding in the future. Disbursement of funds pursuant to these commitments is subject to the borrower meeting pre-specified criteria. These commitments are subject to the same underwriting requirements and ongoing portfolio maintenance as are the on-balance sheet financial investments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Whole loans had **\$89.1 million** **\$78.4 million** and \$109.4 million in unfunded loan commitments at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively. Unfunded commitments are not considered in the CECL reserve if they are unconditionally cancellable.

### Guarantees and Indemnifications

In the ordinary course of business, we may provide guarantees and indemnifications that contingently obligate us to make payments to the guaranteed or indemnified party based on changes in the value of an asset, liability or equity security of the guaranteed or indemnified party. As such, we may be obligated to make payments to a guaranteed party based on another entity's failure to perform or achieve specified performance criteria, or we may have an indirect guarantee of the indebtedness of others.

In January 2023, Chapel Drive East, LLC, a wholly owned subsidiary of the FSU Student Venture, entered into a loan agreement (the "Construction Loan Agreement") with Oceanview Life and Annuity Company ("Oceanview") to finance the construction of a student housing complex (the "Construction Loan").

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In connection with our investment in the student housing complex, ACRES RF entered into guarantees related to the Construction Loan. Pursuant to the guarantees, Jason Pollack, Frank Dellaglio and ACRES RF (collectively, the "Guarantors"), for the benefit of Oceanview, provided limited "bad boy" guaranties to Oceanview pursuant to the Construction Loan Agreement until the earlier of the payment in full of the indebtedness or the date of a sale of the property pursuant to a foreclosure of the mortgage or deed or other transfer in lieu of foreclosure is accepted by Oceanview. The Guarantors also entered into a Completion Guaranty Agreement for the benefit of Oceanview to guaranty the timely completion of the project in accordance with the Construction Loan Agreement, as well as a Carry Guaranty Agreement, for the benefit of Oceanview to guaranty unconditional payment by Chapel Drive East, LLC of all customary or necessary costs and expenses incurred in connection with the operation, maintenance and management of the property

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and an Environmental Indemnity Agreement jointly and severally in favor of Oceanview whereby the Guarantors provided environmental representations and warranties, covenants and indemnifications (collectively the "Guaranties"). The Guaranties include certain financial covenants required of ACRES RF, including required net worth and liquidity requirements.

### Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared by management in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires that we make estimates and assumptions that may affect the value of our assets or liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and our financial results. We believe that certain of our policies are critical because they require us to make difficult, subjective and complex judgments about matters that are inherently uncertain. The critical policies summarized below relate to valuation of investment securities, accounting for derivative financial instruments and hedging activities, income taxes, allowance for credit losses and variable interest entities ("VIEs").

#### Allowance for Credit Losses

We maintain an allowance for credit loss on our loans held for investment. CRE loans that are held for investment are carried at cost, net of unamortized acquisition premiums or discounts, loan fees and origination costs as applicable. Effective January 1, 2020, we determine our allowance for credit losses, consistent with GAAP, by measuring CECL on the loan portfolio on a quarterly basis. We utilize a probability of default and loss given default methodology over a reasonable and supportable forecast period after which we revert to the historical mean loss ratio, utilizing a blended approach sourced from our own historical losses and the market losses from an engaged third-party's database, to be applied for the remaining estimable period. The CECL model requires us to make significant judgments, including: (i) the selection of a reasonable and supportable forecast period, (ii) the selection and weighting of appropriate macroeconomic forecast scenarios, (iii) the determination of the risk characteristics in which to pool financial assets, and (iv) the appropriate historical loss data to use in the model. Unfunded commitments are not considered in the CECL reserve if they are unconditionally cancellable by us.

We measure the loan portfolio's credit losses by grouping loans based on similar risk characteristics under CECL, which is typically based on the loan's collateral type. We regularly evaluate the risk characteristics of our loan portfolio to determine whether a different pooling methodology is more accurate. Further, if we determine that foreclosure of a loan's collateral is probable or repayment of the loan is expected through sale or operation of the collateral and the borrower is experiencing financial difficulty, expected credit losses are measured as the difference between the current fair value of the collateral and the amortized cost of the loan. Fair value may be determined based on (i) the present value of estimated cash flows; (ii) the market price, if available; or (iii) the fair value of the collateral less estimated disposition costs.

While a loan exhibiting credit quality deterioration may remain on accrual status, the loan is placed on nonaccrual status at such time as (i) management believes that scheduled debt service payments will not be met within the coming 12 months; (ii) the loan becomes 90 days past due; (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the credit deterioration; or (iv) the net realizable value of the loan's underlying collateral approximates our carrying value for such loan. While on nonaccrual status, we recognize interest income only when an actual payment is received if a credit analysis supports the borrower's principal repayment capacity. When a loan is placed on nonaccrual, previously accrued interest is reversed from interest income.

We utilize the contractual life of our loans to estimate the period over which we measure expected credit losses. Estimates for prepayments and extensions are incorporated into the inputs for our CECL model. Modifications to loan terms, such as a modification in connection with a troubled debt restructuring ("TDR"), where a concession is granted to a borrower experiencing financial difficulty, may result in the extension of the loan's life and an increase in the allowance for credit losses.

In order to calculate the historical mean loss ratio applied to the loan portfolio, we utilize historical losses from our full underwriting history, along with the market loss history of a selected population of loans from a third-party's database that are similar to our loan types, loan sizes, durations, interest rate structure and general LTV profiles. We may make adjustments to the historical loss history for qualitative or environmental factors if we believe there is evidence that the estimate for expected credit losses should be increased or decreased.

We record write-offs against the allowance for credit losses if we deem that all or a portion of a loan's balance is uncollectible. If we receive cash in excess of some or all of the amounts we previously wrote off, we record a recovery to increase the allowance for credit losses.

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As part of the evaluation of the loan portfolio, we assess the performance of each loan and assign a risk rating based on the collective evaluation of several factors, including but not limited to: collateral performance relative to underwritten plan, time since origination, current implied and/or re-underwritten LTV ratios, risk inherent in the loan structure and exit plan. Loans are rated "1" through "5," from least risk to greatest risk, in connection with this review.

**Investments in Real Estate**

We acquire investments in real estate through direct equity investments and as a result of our lending activities (i.e. through foreclosure or the receipt of the deed-in-lieu of foreclosure on a property). Acquired investments in real estate assets are recorded initially at fair value in accordance with GAAP. We allocate the purchase price of our acquired assets and assumed liabilities based on the relative fair values of the assets acquired and liabilities assumed.

We evaluate whether property obtained as a result of our lending activities should be identified as held for sale. If a property is determined to be held for sale, all of the acquired assets and assumed liabilities will be recorded in property held for sale on the consolidated balance sheets and recorded at the lower of cost or fair value. Once a property is classified as held for sale, depreciation expense is no longer recorded.

Investments in real estate are carried net of accumulated depreciation. We depreciate real property, building and tenant improvements and furniture, fixtures, and equipment using the straight-line method over the estimated useful lives of the assets. We amortize any acquired intangible assets using the straight-line method over the estimated useful lives of the intangible assets. We amortize the value allocated to lease right of use assets and related in-place lease liabilities, when determined to be operating leases, using the straight-line method over the remaining lease term. The value allocated to any associated above or below market lease intangible asset or liability is amortized to lease expense over the remaining lease term.

Ordinary repairs and maintenance are expensed as incurred. Costs related to the improvement of the real property are capitalized and depreciated over their useful lives. Costs related to the development and construction of real property are capitalized to construction in progress during the period beginning with the commencement of development and ending with the completion of construction.

We depreciate investments in real estate and amortize intangible assets over the estimated useful lives of the assets as follows:

Category	Term
Building	35 to 40 years
Building improvements	5 to 39 years
Site improvements	10 years
Tenant improvements	Shorter of lease term or expected useful life
Furniture, fixtures and equipment	1 to 12 years
Right of use assets	7 to 94 years
Intangible assets	90 days to 18 years
Lease liabilities	7 to 94 years

**Revenue Recognition**

Interest income from our loan portfolio is recognized over the life of each loan using the effective interest method and is recorded on the accrual basis. Premiums and discounts are amortized or accreted into income using the effective yield method. If a loan with a premium or discount is prepaid, we immediately recognize the unamortized portion as a decrease or increase to interest income. In addition, we defer loan origination and extension fees and loan origination costs and recognize them over the life of the related loan with interest income using the straight-line method, which approximates the effective yield method. Income recognition is suspended for loans at the earlier of the date at which payments become 90 days past due or when, in our opinion, a full recovery of principal and income becomes doubtful. When the ultimate collectability of the principal is in doubt, all payments received are applied to principal under the cost recovery method. When the ultimate collectability of the principal is not in doubt, contractual interest is recorded as interest income when received, under the cash method, until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Through our investments in real estate, we earn revenue associated with rental operations and hospitality operations, which are presented in real estate income on the consolidated statements of operations.

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Rental operating revenue consists of fixed contractual base rent arising from tenant leases at our office properties under operating leases. Revenue is recognized on a straight-line basis over the non-cancelable terms of the related leases. For leases that have fixed and measurable rent escalations, the difference between such rental income earned and the cash rent due under the provisions of the lease is recorded in our consolidated balance sheets. We move to cash basis operating lease income recognition in the period in which collectability of all lease payments is no longer considered probable. At such time, any uncollectible receivable balance will be written off.

Hospitality operating revenue consists of amounts derived from hotel operations, including room sales and other hotel revenues. We recognize hospitality operating revenue when guest rooms are occupied, services have been provided or fees have been earned. Revenues are recorded net of any sales, occupancy or other taxes collected from customers on behalf of third parties. The following provides additional detail on room revenue and other operating revenue:

- Room revenue is recognized when our hotel satisfies its performance obligation of providing a hotel room. The hotel reservation defines the terms of the agreement including an agreed-upon rate and length of stay. Payment is typically due and paid in full at the end of the stay with some customers prepaying for their rooms prior to the stay. Payments received from a customer prior to arrival are recorded as an advance deposit and are recognized as revenue at the time of occupancy.
- Other operating revenue is recognized at the time when the goods or services are provided to the customer or when the performance obligation is satisfied. Payment is due at the time that goods or services are rendered or billed.

#### **Variable Interest Entities**

We consolidate entities that are VIEs where we have determined that we are the primary beneficiary of such entities. Once it is determined that we hold a variable interest in a VIE, management performs a qualitative analysis to determine (i) if we have the power to direct the matters that most significantly impact the VIE's financial performance; and (ii) if we have the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive the benefits of the VIE that could potentially be significant to the VIE. If our variable interest possesses both of these characteristics, we are deemed to be the primary beneficiary and would be required to consolidate the VIE. This assessment must be done on an ongoing basis.

At September 30, 2024, we determined that we are the primary beneficiary of two VIEs that are consolidated.

#### **Recent Accounting Standards**

##### **Accounting Standards to be Adopted in Future Periods**

In November 2023, the FASB issued guidance to improve reportable segment disclosure requirements, enhance interim disclosure requirements and provide new segment disclosure requirements for entities with a single reportable segment. The guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods with fiscal years beginning after December 15, 2024. The guidance is applied retrospectively to all periods presented in the financial statements, unless it is impracticable. We are in the process of evaluating the impact of this guidance, however, we do not expect a material impact to our consolidated financial statements.

In December 2023, the FASB issued guidance to improve the transparency of income tax disclosures. This guidance is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. We are in the process of evaluating the impact of this guidance, however, we do not expect a material impact to our consolidated financial statements.

#### **Inflation**

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our consolidated financial statements are prepared in accordance with GAAP and our distributions are determined by our Board based primarily on our maintaining our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At **June 30, 2024** **September 30, 2024**, the primary components of our market risk were credit risk, counterparty risk, financing risk, and interest rate risk, as described below. While we do not seek to avoid risk completely, we do seek to assume risk that can be quantified from historical experience, to actively manage that risk, to earn sufficient compensation to justify assuming that risk and to maintain capital levels consistent with the risk we undertake or to which we are exposed. Additionally, refer to Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information on risks we face.

#### Credit Risks

Our loans and investments are subject to credit risk. The performance and value of our loans and investments depend upon the sponsors' ability to operate the 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, ACRES Capital, LLC's asset management team reviews our investment portfolios and in certain instances is in regular contact with our borrowers, monitoring performance of the collateral and enforcing our rights as necessary.

In addition, we are exposed to the risks generally associated with the commercial real estate ("CRE") market, including variances in occupancy rates, capitalization rates, absorption rates, and other macroeconomic factors beyond our control. We seek to manage these risks through our underwriting and asset management processes.

In a business environment where benchmark interest rates are increasing significantly, cash flows of the CRE assets underlying our loans may not be sufficient to pay debt service on our loans, which could result in non-performance or default. We partially mitigate this risk by generally requiring our borrowers to purchase interest rate cap agreements with non-affiliated, well-capitalized third parties and by selectively requiring our borrowers to have and maintain debt service reserves. These interest rate caps generally mature prior to the maturity date of the loan and the borrowers are required to pay to extend them. In most cases the sponsors will need to fund additional equity into the properties to cover these costs as the property may not generate sufficient cash flow to pay these costs. At **June 30, 2024** **September 30, 2024**, **85.6%** **76.2%** of the par value of our CRE loan portfolio had interest rate caps in place with a weighted-average maturity of **four** **six** months.

Macroeconomic conditions may persist into the future and impair our borrowers' ability to comply with the terms under our loan agreements. We maintain a robust asset management relationship with our borrowers and have utilized these relationships to address rising interest rates, lingering impacts of the COVID-19 pandemic, and other macroeconomic factors on our loans secured by properties experiencing cash flow pressure. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain investments. In order to mitigate that risk, we have proactively engaged with our borrowers, particularly with those with near-term maturities, in order to maximize recovery.

#### Counterparty Risk

The nature of our business requires us to hold our cash and cash equivalents and obtain financing with various financial institutions. This exposes us to the risk that these financial institutions may not fulfill their obligations to us under these various contractual arrangements. We mitigate this exposure by depositing our cash and cash equivalents and entering into financing agreements with high credit-quality institutions.

#### Financing Risk

We finance our target assets using our CRE debt securitizations, a senior secured financing facility, warehouse financing facilities and mortgage payables. Over time, as market conditions change, we may use other forms of leverage in addition to these methods of financing. Weakness or volatility in the financial markets, the CRE and mortgage markets or the economy generally could adversely affect one or more of our lenders or potential lenders and could cause one or more of our lenders or potential lenders to be unwilling or unable to provide us with financing, or to decrease the amount of our available financing, or to increase the costs of that financing.

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#### Interest Rate Risk

Our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income, subject to the impact of interest rate floors. At **June 30, 2024** **September 30, 2024**, **99.6%** **99.5%** of our CRE loan portfolio by par value earned a floating rate of interest and may be financed with liabilities that both pay interest at floating rates and that are fixed. Floating-rate loans financed with fixed rate liabilities have a negative correlation with declining interest rates to the extent of our financing. The remaining **0.4%** **0.5%** of our CRE loan portfolio by par value has a contractual fixed rate of interest. To the extent that interest rate floors on our floating-rate CRE loans are in the money, our net interest will have a negative correlation with rising interest rates to the extent of those interest rate floors. Our floating-rate loan portfolio of **\$1.7 billion** **\$1.6 billion** had a weighted-average benchmark floor of **0.75%** **0.85%** at **June 30, 2024** **September 30, 2024**.

The following table estimates the hypothetical impact on our net interest income assuming an immediate increase or decrease of 100 basis points in the applicable interest rate benchmark (in thousands, except per share data):

		Three Months Ended June 30, 2024				Three Months Ended September 30, 2024				
At June 30, 2024		100 Basis Point Decrease (4)		100 Basis Point Increase						
At September 30, 2024		100 Basis Point Decrease (4)		100 Basis Point Increase						
Net Assets Subject to Interest Rate Sensitivity (1)(2)(3)	Net Assets Subject to Interest Rate Sensitivity (1)(2)(3)	Decrease to Net Interest Income	Decrease to Net Interest Income Per Share	Increase to Net Interest Income	Increase to Net Interest Income Per Share	Net Assets Subject to Interest Rate Sensitivity (1)(2)(3)	Decrease to Net Interest Income	Decrease to Net Interest Income Per Share	Increase to Net Interest Income	Increase to Net Interest Income Per Share
\$	333,585	\$ (839)	\$ (0.11)	\$ 846	\$ 0.11	302,687	\$ (760)	\$ (0.10)	\$ 767	\$ 0.10

- (1) Includes our floating-rate CRE loans at June 30, 2024 September 30, 2024.
- (2) Includes amounts outstanding on our securitizations, CRE term warehouse financing facilities, senior secured financing facility and unsecured junior subordinated debentures.
- (3) Certain of our floating rate loans are subject to a benchmark floor.
- (4) Decrease in rates assumes the applicable benchmark rate does not fall below 0%.

Risk Management

To the extent consistent with maintaining our status as a REIT, we seek to manage our interest rate risk exposure to protect our variable rate debt against the effects of major interest rate changes. We generally seek to manage our interest rate risk by monitoring and adjusting, if necessary, the reset index and interest rate related to our borrowings.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II

### ITEM 1. LEGAL PROCEEDINGS

We may become involved in litigation on various matters due to the nature of our business activities. The resolution of these matters may result in adverse judgments, fines, penalties, injunctions and other relief against us as well as monetary payments or other agreements and obligations. In addition, we may enter into settlements on certain matters in order to avoid the additional costs of engaging in litigation. We are unaware of any contingencies arising from such litigation that would require accrual or disclosure in the consolidated financial statements at **June 30, 2024** **September 30, 2024**.

### ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes to the risk factors disclosed under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC"), except we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Issuer Purchases of Equity Securities

In March 2016, our Board approved a securities repurchase program. In November 2020, our Board authorized and approved the continued use of our existing share repurchase program in order to repurchase up to \$20.0 million of our outstanding shares of common stock. In November 2023, our Board authorized and approved the repurchase of an additional \$10.0 million of outstanding shares of both common and preferred stock. At **June 30, 2024** **September 30, 2024**, **\$4.1 million** **\$2.3 million** remains available under this repurchase program.

The following table presents information about our common and preferred stock repurchases made during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** in accordance with our repurchase program (dollars in thousands, except per share data):

	Total Number of Shares Purchased	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs	Total Number of Shares Purchased	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs
January 2, 2024 - January 31, 2024	75,138	\$ 9.86	75,138	\$ 9,087,747	75,138	\$ 9.86	75,138	\$ 9,087,747
January 17, 2024 <sup>(2)</sup>	100,000	21.57	100,000	6,932,747	100,000	21.57	100,000	6,932,747
February 1, 2024 - February 29, 2024	52,195	10.14	52,195	6,404,704	52,195	10.14	52,195	6,404,704
March 1, 2024 - March 28, 2024	67,494	11.84	67,494	5,607,039	67,494	11.84	67,494	5,607,039
April 1, 2024 - April 30, 2024	52,812	13.83	52,812	4,877,655	52,812	13.83	52,812	4,877,655
May 1, 2024 - May 31, 2024	39,994	13.37	39,994	4,343,681	39,994	13.37	39,994	4,343,681
June 3, 2024 - June 28, 2024	22,652	12.80	22,652	4,054,292	22,652	12.80	22,652	4,054,292
July 1, 2024 - July 31, 2024	24,936	13.73	24,936	3,712,310				
August 1, 2024 - August 30, 2024	47,682	15.52	47,682	2,973,466				
September 3, 2024 - September 30, 2024	41,340	15.53	41,340	2,332,294				

(1) The average price paid per share as reflected above includes broker fees and commissions.  
(2) These repurchases pertain to our Series D Cumulative Preferred Stock. All other repurchases listed pertain to our common stock.

On May 7, 2024, we issued a total of 333,333 shares of common stock under our Manager Incentive Plan to ACRES Share Holdings, LLC, a subsidiary of the Manager and under our Third Amended and Restated Omnibus Equity Compensation Plan to our directors (with the exception of Messrs. Fentress and Fogel), after we reached the established per share book value target of \$27.00 per share. Each grant vests 25% over four years. Of this amount, ACRES Share Holdings, LLC was granted 295,237 shares of common stock and now holds approximately 12.3% of our outstanding common stock. Shares issued to ACRES Share Holdings, LLC under the Management Incentive Plan were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

On May 7, 2024, we granted ACRES Share Holdings, LLC a stock ownership waiver allowing it to exceed the 9.8% ownership limitations set forth in our charter. The stock ownership waiver allows ACRES Share Holdings, LLC to hold up to 15% of our outstanding shares of common stock.

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ITEM 5. OTHER INFORMATION

During the three months ended **June 30, 2024** **September 30, 2024**, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

On November 1, 2024, the Company entered into Amendment No. 3 to Guaranty (the "Morgan Stanley Amendment") by and between the Company and Morgan Stanley Mortgage Capital Holdings LLC ("Morgan Stanley"), which makes certain amendments and modifications to the Guaranty, dated November 3, 2021 between the Company and Morgan Stanley as amended (the "MS Guaranty") including but not limited to amending the EBITDA to Interest Expense ratio (as defined in the MS Guaranty) through the quarter ending December 2025 and extending the Morgan Stanley Facility to November 2025.

The foregoing description of the Morgan Stanley Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Morgan Stanley Amendment, which has been filed with this Quarterly Report on Form 10-Q as Exhibit 99.2(f).

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ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	<a href="#">Asset Purchase Agreement, dated June 6, 2017, by and among Stearns Lending, LLC, Primary Capital Mortgage, LLC, and Resource Capital Corp. (10)</a>
3.1(a)	<a href="#">Amended and Restated Articles of Incorporation of Resource Capital Corp. (1)</a>
3.1(b)	<a href="#">Articles of Amendment to Restated Certificate of Incorporation of Resource Capital Corp. (9)</a>
3.1(c)	<a href="#">Articles Supplementary 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. (7)</a>
3.1(d)	<a href="#">Articles Supplementary 7.875% Series D Cumulative Redeemable Preferred Stock, as corrected. (24)</a>
3.1(e)	<a href="#">Articles of Amendment, effective May 25, 2018. (12)</a>
3.1(f)	<a href="#">Articles of Amendment, effective February 16, 2021. (21)</a>
3.1(g)	<a href="#">Articles of Amendment, effective May 28, 2021. (25)</a>
3.2	<a href="#">Fourth Amended and Restated Bylaws of ACRES Commercial Realty Corp. (21)</a>
4.1(a)	<a href="#">Form of Certificate for Common Stock for Resource Capital Corp. (1)</a>
4.1(b)	<a href="#">Form of Certificate for 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. (7)</a>



4.1(c)	<a href="#">Form of Certificate for 7.875% Series D Cumulative Redeemable Preferred Stock. (24)</a>
4.2(a)	<a href="#">Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated May 25, 2006. (2)</a>
4.2(b)	<a href="#">Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)</a>
4.3(a)	<a href="#">Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated May 25, 2006. (2)</a>
4.3(b)	<a href="#">Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)</a>
4.4	<a href="#">Junior Subordinated Note due 2036 in the principal amount of \$25,774,000, dated October 26, 2009. (6)</a>
4.5(a)	<a href="#">Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated September 29, 2006. (3)</a>
4.5(b)	<a href="#">Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)</a>
4.6(a)	<a href="#">Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated September 29, 2006. (3)</a>
4.6(b)	<a href="#">Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)</a>
4.7	<a href="#">Junior Subordinated Note due 2036 in the principal amount of \$25,774,000, dated October 26, 2009. (6)</a>
4.8	<a href="#">Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. (35)</a>
4.9(a)	<a href="#">Base Indenture, dated August 16, 2021, between the Company and the Trustee. (28)</a>
4.9(b)	<a href="#">First Supplemental Indenture, dated August 16, 2021, between the Company and the Trustee. (28)</a>
4.9(c)	<a href="#">Form of 5.75% Senior Note due 2026 (included in Exhibit 4.9(b)).</a>
10.1(a)	<a href="#">Fourth Amended and Restated Management Agreement, dated as of July 31, 2020, by and among Exantas Capital Corp., ACRES Capital, LLC and ACRES Capital Corp. (16)</a>
10.1(b)	<a href="#">First Amendment to Fourth Amended and Restated Management Agreement, dated as of February 16, 2021, by and among ACRES Commercial Realty Corp., f/k/a Exantas Capital Corp., ACRES Capital, LLC and ACRES Capital Corp. (22)</a>
10.1(c)	<a href="#">Second Amendment to Fourth Amended and Restated Management Agreement, dated as of May 6, 2022, by and among ACRES Commercial Realty Corp., f/k/a Exantas Capital Corp., ACRES Capital, LLC and ACRES Capital Corp. (36)</a>
10.1(d)	<a href="#">Third Amendment to Fourth Amended and Restated Management Agreement, dated February 15, 2024, by and among ACRES Commercial Realty Corp., ACRES Capital, LLC and ACRES Capital Corp. (45)</a>
10.2(a)	<a href="#">Second Amended and Restated Omnibus Equity Compensation Plan. (14)</a>
10.2(b)	<a href="#">Amendment No. 1 to the Exantas Capital Corp. Second Amended and Restated Omnibus Equity Compensation Plan. (17)</a>
10.2(c)	<a href="#">Third Amended and Restated Omnibus Equity Compensation Plan. (23)</a>
10.2(d)	<a href="#">Form of Stock Award Agreement. (8)</a>
10.2(e)	<a href="#">Form of Stock Award Agreement (for employees with Resource America, Inc. employment agreements). (8)</a>
10.3	<a href="#">Form of Indemnification Agreement. (11)</a>
10.4(a)	<a href="#">Loan and Servicing Agreement, dated as of July 31, 2020, among RCC Real Estate SPE Holdings LLC, as Holdings, RCC Real Estate SPE 9 LLC, as the Borrower, Massachusetts Mutual Life Insurance Company and the other Lenders from time to time party thereto, Wells Fargo Bank, National Association, as the Administrative Agent, Massachusetts Mutual Life Insurance Company, as the Facility Servicer, ACRES Capital Servicing LLC, as the Portfolio Asset Servicer, and Wells Fargo Bank, National Association, as the Collateral Custodian. (16)</a>
10.4(b)	<a href="#">First Amendment to Loan and Servicing Agreement, dated as of September 16, 2020, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association, as the Administrative Agent. (18)</a>

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10.4(c)	<a href="#">Second Amendment to Loan and Servicing Agreement, dated as of May 25, 2021, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association as the Administrative Agent. (27)</a>
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10.4(d)	<a href="#">Third Amendment to Loan and Servicing Agreement, dated as of August 16, 2021, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, the Lenders party thereto and Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association as the Administrative Agent. (33)</a>
10.4(e)	<a href="#">Fourth Amendment to Loan and Servicing Agreement, dated as of April 12, 2022, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, the Lenders party thereto and Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association as the Administrative Agent. (36)</a>
10.4(f)	<a href="#">Fifth Amendment to Loan and Servicing Agreement, dated as of July 26, 2022, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, the Lenders party thereto and Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association as the Administrative Agent. (37)</a>
10.4(g)	<a href="#">Sixth Amendment to Loan and Servicing Agreement, dated as of August 29, 2022, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, the Lenders party thereto and Massachusetts Mutual Life Insurance Company and Wells Fargo Bank, National Association as the Administrative Agent. (38)</a>
10.4(h)	<a href="#">Guaranty, dated as of July 31, 2020, by Exantas Capital Corp., and each of Exantas Real Estate Funding 2018-RSO6 Investor, LLC, Exantas Real Estate Funding 2019-RSO7 Investor, LLC, and Exantas Real Estate Funding 2020-RSO8 Investor, LLC, in favor of the Secured Parties. (16)</a>
10.4(i)	<a href="#">Amended and Restated Loan and Servicing Agreement, dated as of December 22, 2022, among RCC Real Estate SPE Holdings LLC, RCC Real Estate SPE 9 LLC, Plymouth Meeting Holdings, LLC, Exantas Philii Holdings, LLC, ACRES Real Estate TRS 9 LLC, Massachusetts Mutual Life Insurance Company and ACRES Capital Servicing. (40)</a>
10.4(j)	<a href="#">Guaranty, dated May 25, 2021 between Exantas Philii Holdings, LLC in favor of the Secured Parties. (36)</a>
10.4(k)	<a href="#">Guaranty, dated May 25, 2021 between 65 E. Wacker Holdings, LLC in favor of the Secured Parties. (36)</a>
10.4(l)	<a href="#">Guaranty, dated May 25, 2021 between Plymouth Meeting Holdings, LLC in favor of the Secured Parties. (36)</a>
10.4(m)	<a href="#">Pledge and Guaranty Agreement, dated August 16, 2021 between ACRES Real Estate TRS 9 LLC in favor of the Secured Parties. (36)</a>
10.4(n)	<a href="#">Guaranty, dated April 12, 2022 between Appleton Hotel Holdings, LLC and Appleton Hotel Leasing, LLC in favor of the Secured Parties. (36)</a>
10.5(a)	<a href="#">Note and Warrant Purchase Agreement, dated as of July 31, 2020, by and among Exantas Capital Corp. and the Purchasers signatory thereto. (16)</a>
10.5(b)	<a href="#">Agreement between the Company, OCM XAN Holdings PT, LLC and the Massachusetts Mutual Life Insurance Company, dated August 18, 2021. (29)</a>
10.5(c)	<a href="#">Amendment No. 1 to Note and Warrant Purchase Agreement, dated January 31, 2022, between ACRES Commercial Realty Corp. and the Purchasers signatory thereto. (34)</a>
10.6	<a href="#">Promissory Note, dated as of July 31, 2020, issued by ACRES Capital Corp. to RCC Real Estate, Inc. (16)</a>
10.7(a)	<a href="#">Manager Incentive Plan. (23)</a>
10.7(b)	<a href="#">Form of Stock Award Agreement Under the Manager Incentive Plan. (26)</a>
10.8	<a href="#">Equity Distribution Agreement, dated October 4, 2021, by and among ACRES Commercial Realty Corp., ACRES Capital, LLC and JonesTrading Institutional Services LLC. (31)</a>
10.9(a)	<a href="#">Building Loan Agreement, dated as of January 24, 2023 between Chapel Drive East, LLC and Oceanview Life and Annuity Company. (42)</a>
10.9(b)	<a href="#">Guaranty Agreement executed January 24, 2023 by Jason Pollack, Frank Dellaglio and ACRES Realty Funding, Inc. for the benefit of Oceanview Life and Annuity Company. (39)</a>
10.9(c)	<a href="#">Completion Guaranty Agreement executed January 24, 2023 by Jason Pollack, Frank Dellaglio and ACRES Realty Funding, Inc. for the benefit of Oceanview Life and Annuity Company. (39)</a>
10.9(d)	<a href="#">Carry Guaranty Agreement executed January 24, 2023 by Jason Pollack, Frank Dellaglio and ACRES Realty Funding, Inc. for the benefit of Oceanview Life and Annuity Company. (39)</a>
10.9(e)	<a href="#">Environmental Indemnity Agreement executed January 24, 2023 by Jason Pollack, Frank Dellaglio and ACRES Realty Funding, Inc. in favor of Oceanview Life and Annuity Company. (39)</a>
16.1(a)	<a href="#">Letter from Grant Thornton LLP dated April 26, 2024. (46)</a>
16.1(b)	<a href="#">Letter from Grant Thornton LLP dated May 8, 2024 (47)</a>
31.1	<a href="#">Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.</a>
31.2	<a href="#">Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.</a>
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350.</a>
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350.</a>
97.1	<a href="#">Policy for the Recovery of Erroneously Awarded Compensation. (45)</a>
99.1(a)	<a href="#">Master Repurchase Agreement for \$250,000,000 between RCC Real Estate SPE 8, LLC, as Seller, and JPMorgan Chase Bank, National Association, as Buyer, dated October 26, 2018. (13)</a>
99.1(b)	<a href="#">First Amendment to Uncommitted Master Repurchase Agreement dated as of August 14, 2020 between RCC Real Estate SPE 8, LLC and JPMorgan Chase Bank, National Association. (20)</a>
99.1(c)	<a href="#">Amendment No. 2 to Master Repurchase Agreement, dated September 1, 2021 between RCC Real Estate SPE 8, LLC and JPMorgan Chase Bank, National Association. (30)</a>

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99.1(d)	<a href="#">Amendment No. 3 to Master Repurchase Agreement and Guarantee Agreement, dated October 26, 2021 between RCC Real Estate SPE 8, LLC, JPMorgan Chase Bank, National Association and ACRES Commercial Realty Corp., as guarantor. (32).</a>
99.1(e)	<a href="#">Amendment No. 4 to Master Repurchase Agreement, dated July 21, 2023, between RCC Real Estate SPE 8, LLC and JPMorgan Chase Bank, National Association. (43).</a>
99.1(f)	<a href="#">Guarantee made by Exantas Capital Corp., as guarantor, in favor of JPMorgan Chase Bank, National Association, dated October 26, 2018. (13).</a>
99.1(g)	<a href="#">First Amendment to Guarantee Agreement, dated May 6, 2020, between Exantas Capital Corp. and JPMorgan Chase Bank, National Association. (15).</a>
99.1(h)	<a href="#">Amendment No. 2 To Guarantee Agreement, dated October 2, 2020 between Exantas Capital Corp. and JPMorgan Chase Bank, National Association. (19).</a>
99.1(i)	<a href="#">Amendment No. 4 To Guarantee Agreement, dated November 17, 2022 between ACRES Commercial Realty Corp. and JPMorgan Chase Bank, National Association. (41).</a>
99.1(j)	<a href="#">Amendment No. 5 to Guarantee Agreement, dated July 21, 2023, between ACRES Commercial Realty Corp. and JPMorgan Chase Bank, National Association. (43).</a>
99.2(a)	<a href="#">Master Repurchase and Securities Contract Agreement between ACRES Real Estate SPE 10, LLC, as Seller, and Morgan Stanley Mortgage Capital Holdings LLC, as Administrative Agent, dated November 3, 2021. (33).</a>
99.2(b)	<a href="#">First Amendment to Master Repurchase and Securities Contract Agreement, dated January 28, 2022, between ACRES Real Estate SPE 10, LLC and Morgan Stanley Mortgage Capital Holdings LLC, as Administrative Agent. (34).</a>
99.2(c)	<a href="#">Guaranty made by ACRES Commercial Realty Corp., as Guarantor, in favor of Morgan Stanley Mortgage Capital Holdings LLC, dated November 3, 2021. (33).</a>
99.2(d)	<a href="#">Amendment No. 1 to Guaranty, dated November 18, 2022 between ACRES Commercial Realty Corp. and Morgan Stanley Mortgage Capital Holdings LLC. (41).</a>
99.2(e)	<a href="#">Amendment No. 2 to Guaranty, dated November 3, 2023 between ACRES Commercial Realty Corp. and Morgan Stanley Mortgage Capital Holdings LLC. (44).</a>
99.2(f)	<a href="#">Amendment No. 3 to Guaranty, dated November 1, 2024 between ACRES Commercial Realty Corp. and Morgan Stanley Mortgage Capital Holdings LLC.</a>
99.3	<a href="#">Material Federal Income Tax Considerations. (45).</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document With Embedded Linkbase Documents.
104	Cover Page Interactive Data File.

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(1)	Filed previously as an exhibit to the Company's Registration Statement on Form S-11, Registration No. 333-126517.
(2)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(3)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(4)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
(5)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on June 26, 2014.
(6)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(7)	Filed previously as an exhibit to the Company's Registration Statement on Form 8-A filed on June 9, 2014.
(8)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
(9)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 1, 2015.
(10)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on June 8, 2017.
(11)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
(12)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on May 25, 2018.
(13)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 30, 2018.
(14)	Filed previously as an exhibit to the Company's Proxy Statement filed on April 18, 2019.
(15)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.
(16)	Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on August 3, 2020.
(17)	Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

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|------|---|
| (18) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 22, 2020.                 |
| (19) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 7, 2020.                    |
| (20) | Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. |
| (21) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on February 18, 2021.                  |
| (22) | Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.        |
| (23) | Filed previously as an exhibit to the Company's Proxy Statement filed on April 12, 2021.                                |
| (24) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on May 21, 2021.                       |
| (25) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on June 1, 2021.                       |
| (26) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on June 9, 2021.                       |
| (27) | Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021.      |
| (28) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on August 17, 2021.                    |
| (29) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on August 20, 2021.                    |
| (30) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 2, 2021.                  |
| (31) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 7, 2021.                    |
| (32) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 29, 2021.                   |
| (33) | Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021. |
| (34) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on February 3, 2022.                   |
| (35) | Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2021.        |
| (36) | Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022.     |
| (37) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on July 27, 2022.                      |
| (38) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on August 30, 2022.                    |
| (39) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on January 25, 2023.                   |
| (40) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on December 22, 2022.                  |
| (41) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on November 18, 2022.                  |
| (42) | Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2022.        |
| (43) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on July 25, 2023.                      |
| (44) | Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023. |
| (45) | Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2023.        |
| (46) | Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on April 26, 2024.                     |
| (47) | Filed previously as an exhibit to the Company's Current Report on Form 8-K/A filed on May 8, 2024.                      |

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## 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.

### ACRES COMMERCIAL REALTY CORP.

(Registrant)

August November 6, 2024

By: /s/ Mark Fogel

Mark Fogel

President & Chief Executive Officer

August November 6, 2024

By: /s/ Eldron C. Blackwell

Eldron C. Blackwell  
Senior Vice President  
Chief Financial Officer and Treasurer

August November 6, 2024

By: /s/ Linda M. Kilpatrick

Linda M. Kilpatrick  
Vice President  
Chief Accounting Officer and Controller

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## Exhibit 31.1

### CERTIFICATION

I, Mark Fogel, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024 of ACRES Commercial Realty Corp.;
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(s) 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 financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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.

August November 6, 2024

/s/ Mark Fogel  
Mark Fogel  
President & Chief Executive Officer

### CERTIFICATION

I, Eldron C. Blackwell, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended ~~June 30, 2024~~ September 30, 2024 of ACRES Commercial Realty Corp.;
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(s) 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 financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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.

~~August~~ November 6, 2024

/s/ Eldron C. Blackwell

Eldron C. Blackwell

Chief Financial Officer and Treasurer

### 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 ACRES Commercial Realty Corp. (the "Company") on Form 10-Q for the quarter ended ~~June 30, 2024~~ September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Fogel, 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:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

~~August~~ November 6, 2024

/s/ Mark Fogel

Mark Fogel

President & Chief Executive Officer

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this certification required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 ACRES Commercial Realty Corp. (the "Company") on Form 10-Q for the quarter ended ~~June 30, 2024~~ September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eldron C. Blackwell, 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:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

~~August~~ November 6, 2024

/s/ Eldron C. Blackwell

Eldron C. Blackwell

Chief Financial Officer and Treasurer

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this certification required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2(f)

**SECOND AMENDMENT TO MASTER REPURCHASE AND SECURITIES CONTRACT AGREEMENT AND AMENDMENT NO. 3 TO GUARANTY**  
This Second Amendment to Master Repurchase and Securities Contract Agreement and Amendment No. 3 to Guaranty (this "**Amendment**"), dated as of November 1, 2024, is by and among MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, a New York limited liability company ("**MSMCH**"), as administrative agent (in such capacity, together with its permitted successors and assigns, the "**Administrative Agent**") for MORGAN STANLEY BANK, N.A., a national banking association ("**MSBNA**") and such other financial institutions from time to time party to the Master

Repurchase Agreement (as defined below), ACRES REAL ESTATE SPE 10, LLC, a Delaware limited liability company, as seller ("**Seller**"), and ACRES COMMERCIAL REALTY CORP, a Maryland corporation ("**Guarantor**").

**WITNESSETH:**

**WHEREAS**, Seller, Administrative Agent and MSBNA are parties to that certain Master Repurchase and Securities Contract Agreement, dated as of November 3, 2021, as amended by that certain First Amendment to Master Repurchase and Securities Contract Agreement, dated as of January 28, 2022 (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Master Repurchase Agreement**");

**WHEREAS**, in connection with the Repurchase Agreement, Guarantor entered into that certain Guaranty, dated as of November 3, 2021, as amended by that certain Amendment No. 1 to Guaranty, dated as of November 18, 2022, as further amended by that certain Amendment No. 2 to Guaranty, dated as of November 3, 2023 (as amended hereby, and as may be further amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Guaranty**"); and

**WHEREAS**, Seller, Guarantor and Administrative Agent, on behalf of Buyers, wish to modify certain terms and provisions of the Master Repurchase Agreement and the Guaranty as set forth herein.

**NOW, THEREFORE**, for good and valuable consideration, the parties hereto agree as follows:

**1. Amendments to Master Repurchase Agreement.** The Master Repurchase Agreement is hereby amended as follows:

**a.** The following definitions in Article 2 of the Master Repurchase Agreement are hereby deleted in their entirety and replaced with the following:

- i.** "**Facility Termination Date**" shall mean November 3, 2025, as the same may be extended in accordance with **Section 9** of this Agreement.
- ii.** "**Repurchase Price**" shall mean, with respect to any Purchased Asset, as of any date, the price at which such Purchased Asset is to be transferred from Administrative Agent, on behalf of Buyers, to Seller upon termination of the related Transaction; in each case, such price shall equal the sum of the Purchase Price of such Purchased Asset and the accrued and unpaid Price Differential with respect to such Purchased Asset as of the date of such determination, minus all Income and other cash actually received by Buyers in respect of such Purchased Asset and applied towards the Repurchase Price and/or Price Differential pursuant to this Agreement, including without limitation, any Principal Sweep Amounts, if any actually applied to reduce the Purchase Price of such Purchased Asset.

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**b.** The following definitions are hereby added in Article 2 of the Master Repurchase Agreement in correct alphabetical order:

- i.** "**Buyers' Principal Payment Share**" shall mean, with respect to any Principal Payment, an amount equal to the product of the amount of such Principal Payment, *multiplied by* the applicable Purchase Percentage.
- ii.** "**Principal Sweep Amount**" shall mean with respect to any Principal Payment received during a Sweep Trigger:
  - (i) if four (4) Purchased Assets remain subject to Transactions, an amount equal to fifty percent (50%) of the Seller's Principal Payment Share of such Principal Payment; or
  - (ii) if three (3) or fewer Purchased Assets remain subject to Transactions, an amount equal to one hundred percent (100%) of the Seller's Principal Payment Share of such Principal Payment.
- iii.** "**Principal Sweep Escrow Account**" shall have the meaning specified in **Section 5(a)** of this Agreement.
- iv.** "**Seller's Principal Payment Share**" shall mean, with respect to any Principal Payment, all amounts in excess of Buyers' Principal Payment Share.
- v.** "**Sweep Trigger**" shall mean any date on which less than five (5) Purchased Assets remain subject to



## Transactions.

c. Section 5(a) of the Master Repurchase Agreement is hereby amended by adding the following as the last sentence thereof:

"On or before the before the occurrence of a Sweep Trigger, Seller and Administrative Agent, on behalf of Buyers, shall establish a subaccount in the Blocked Account entitled "Principal Sweep Escrow Account" (the "Principal Sweep Escrow Account")."

d. Section 5(b) of the Master Repurchase Agreement is hereby deleted in its entirety and replaced with the following:

"(b) Unless an Event of Default shall have occurred and be continuing, on each Remittance Date, all Income on deposit in the Blocked Account in respect of the Purchased Assets and the associated Hedging Transactions shall be applied as follows:

i. *first*, to Administrative Agent, on behalf of Buyers, an amount equal to the Price Differential which has accrued and is outstanding in respect of the Transactions as of such Remittance Date;

ii. *second*, to Administrative Agent, on behalf of Buyers, any accrued and unpaid Transaction Costs and all other amounts payable by Seller and outstanding hereunder and under the other Transaction Documents (other than the Repurchase Price);

iii. *third*, if a Principal Payment in respect of any Purchased Asset has been made during the related Collection Period, and has not been applied in accordance with Section 5(c) below, to Administrative Agent, on behalf of Buyers, the Buyers' Principal Payment Share and any other amount

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due to Administrative Agent, on behalf of Buyers, under Sections 5(c) below to be applied in accordance therewith;

iv. *fourth*, if a Margin Deficit shall exist with respect to one or more Purchased Assets, to Administrative Agent, on behalf of Buyers, an amount such that, after giving effect to such payment, the aggregate Purchase Price of such Purchased Assets is equal to the aggregate Asset Base Components of such Purchased Assets, as determined by Administrative Agent, on behalf of Buyers, after giving effect to such payment to the extent of remaining funds in the Blocked Account; and

v. *fifth*, to Seller, the remainder, if any.

If, on any Remittance Date, the amounts deposited in the Blocked Account shall be insufficient to make the payments required under (i) through (iii) above of this Section 5(b), and Seller does not otherwise make such payments on such Remittance Date, the same shall constitute an Event of Default hereunder."

e. Section 5(c) of the Master Repurchase Agreement is hereby deleted in its entirety and replaced with the following:

"(c) Unless an Event of Default shall have occurred and be continuing, any unscheduled Principal Payment (including net sale proceeds) in respect of any Purchased Asset for which the Income thereof has been received by the Depository Bank during any Collection Period shall be applied, no later than two (2) Business Days after receipt of notice from Seller of its request to apply such payment in accordance with this subsection (c), as follows:

vi. *first*, to Administrative Agent, on behalf of Buyers, the Buyers' Principal Payment Share;

vii. *second*, if a Margin Deficit shall exist with respect to one or more Purchased Assets, to Administrative Agent, on behalf of Buyers, to the extent of Income available after the payment made in accordance with Sections 5(c)(i) above, an amount equal to the aggregate Margin Deficit until paid in full;

viii. *third*, if a Sweep Trigger exists, to the Principal Sweep Escrow Account, the applicable Principal Sweep Amount; and

ix. *fourth*, to Seller the remainder, if any.

If at any time no Sweep Trigger exists, all amounts in the Principal Sweep Escrow Account shall be remitted to Seller no later than two (2) Business Days after such Sweep Trigger ceases to exist. If a Sweep Trigger has occurred and is continuing, any amounts that have been on deposit in the Principal Sweep Escrow Account in excess of ninety (90) days shall be remitted to the Administrative Agent, on behalf of

Buyers, to reduce the Purchase Price of the Purchased Assets in such order and priority as determined by Administrative Agent in its sole discretion.”

**2. Amendments to Guaranty.** The Guaranty is hereby amended as follows:

**a. Section 9(a)(v) of the Guaranty is hereby amended by amending and restating that section in its entirety to read as follows:**

“(v) permit, for any Test Period, the ratio of (i) the sum of the trailing four (4) fiscal quarters EBITDA for Guarantor and its Consolidated Subsidiaries for such Test Period to (ii) the trailing four (4) fiscal quarters Interest Expense for Guarantor and its Consolidated Subsidiaries for such Test Period to be (1) through the calendar quarter ending December 31, 2025, less than 1.25 to

1.00; and (2) at all times after the calendar quarter ending December 31, 2025, less than 1.40 to 1.00.”

**3. Representations and Warranties.** Seller and Guarantor each hereby represents and warrants that:

**a.** no Default, Event of Default, Margin Deficit or, to Seller's or Guarantor's knowledge, Material Adverse Effect has occurred and is continuing as of the date hereof, and no Default, Event of Default or Margin Deficit will occur as a result of the execution, delivery and performance by Seller and Guarantor of this Amendment;

**b.** the representations and warranties made by each of Seller and Guarantor in the Transaction Documents are true, correct, complete and accurate in all respects as of the date hereof, except to the extent that such representations and warranties (a) are made as of a particular date or (b) are no longer true as a result of a change in fact with respect to a Purchased Asset that was consented to in writing by Administrative Agent;

**c.** no amendments have been made to the organizational documents of Seller, Pledgor or Guarantor since November 3, 2021; and

**d.** the person signing this Amendment on behalf of Seller and/or Guarantor is duly authorized to do so on its behalf.

**4. Effectiveness.** The effectiveness of this Amendment is subject to receipt by Administrative Agent of the following:

**a. Amendment.** This Amendment, duly executed and delivered by Seller, Guarantor and Administrative Agent.

**b. Fees.** Payment by Seller of (i) the Extension Fee and (ii) the actual costs and expenses, including, without limitation, the reasonable fees and expenses of counsel to Administrative Agent and/or Buyers, incurred by Administrative Agent, on behalf of Buyers, in connection with this Amendment and the transactions contemplated hereby.

**c.** [Reserved].

**d.** [Reserved].

**e.** [Reserved].

**5. Continuing Effect; Reaffirmation of Guaranty.** As amended by this Amendment, all terms, covenants and provisions of the Master Repurchase Agreement and the other Transaction Documents are ratified and confirmed and shall remain in full force and effect. As amended by this Amendment, all terms, covenants and provisions of the Master Repurchase Agreement are ratified and confirmed and shall remain in full force and effect. In addition, any and all guaranties and indemnities for the benefit of Administrative Agent and/or Buyers (including, without limitation, the Guaranty, as amended hereby) and agreements subordinating rights and liens to the rights and liens of Administrative Agent and/or Buyers, are hereby ratified and confirmed and shall not be released, diminished, impaired, reduced or adversely affected by this Amendment, and each party indemnifying Administrative Agent and/or Buyers, and each party subordinating any right or lien to the rights and liens of Administrative Agent and/or Buyers, hereby consents, acknowledges and agrees to the modifications set forth in this Amendment and waives any common law, equitable, statutory or other rights which such party might otherwise have as a result of or in connection with this Amendment. This Amendment shall be deemed a “Transaction Document” for all purposes under the Master Repurchase Agreement.

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**6. Binding Effect; No Partnership; Counterparts.** The provisions of the Master Repurchase Agreement and the Guaranty, each as amended hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing herein contained shall be deemed or construed to create a partnership or joint venture between any of the parties hereto. For the purpose of facilitating the execution of this Amendment as herein provided, this Amendment may be executed simultaneously in any number of counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one and the same instrument. The parties consent to the use of electronic signatures and any counterpart delivered by facsimile, pdf or other electronic means shall have the same import and effect as original counterparts and shall be valid, enforceable and binding for the purposes of this Amendment.

**7. Further Agreements.** Seller and Guarantor agrees to execute and deliver such additional documents, instruments or agreements as may be reasonably requested by Administrative Agent and as may be necessary or appropriate from time to time to effectuate the purposes of this Amendment.

**8. Governing Law.** The provisions of Article 18 of the Master Repurchase Agreement are incorporated herein by reference.

**9. Defined Terms.** Capitalized terms used but not defined herein shall have the meanings set forth in the Master Repurchase Agreement.

**10. Headings.** The headings of the sections and subsections of this Amendment are for convenience of reference only and shall not be considered a part hereof nor shall they be deemed to limit or otherwise affect any of the terms or provisions hereof.

**11. References to Transaction Documents.** All references to the Master Repurchase Agreement in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Master Repurchase Agreement as amended hereby, unless the context expressly requires otherwise. All references to the Guaranty in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Guaranty as amended hereby, unless the context expressly requires otherwise.

**12. No Waiver.** The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Administrative Agent or any Buyer under the Master Repurchase Agreement or any other Transaction Document, nor constitute a waiver of any provision of the Master Repurchase Agreement or any other Transaction Document by any of the parties hereto.

[NO FURTHER TEXT ON THIS PAGE]

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IN WITNESS WHEREOF, the parties have executed this Amendment as of the day first written above.

**ADMINISTRATIVE AGENT, ON BEHALF OF BUYERS:**

**MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC**, a New York limited liability company

By: /s/ Anthony Preisano

Name: Anthony Preisano

Title: Authorized Signatory

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

**SELLER:**

**ACRES REAL ESTATE SPE 10, LLC**, a Delaware limited liability company

By: /s/ Jaclyn Jesberger

Name: Jaclyn Jesberger

Title: Senior Vice President

**GUARANTOR:**

**ACRES COMMERCIAL REALTY CORP.**, a Maryland corporation

By: /s/ Jaclyn Jesberger

Name: Jaclyn Jesberger

Title: Senior Vice President

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