



ACRES Commercial Realty Corp.

First Quarter 2021 Earnings Presentation

May 5, 2021

Forward Looking Statements



This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are not historical facts but rather are based on our current beliefs, assumptions and expectations. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this presentation. We use words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “target,” and variations of these words and similar expressions to identify forward-looking statements. Forward-looking statements are subject to various risks and uncertainties that could cause actual results to vary from our forward-looking statements, including, but not limited to:

- changes in our industry, interest rates, the debt securities markets, real estate markets or the general economy;
- increased rates of default and/or decreased recovery rates on our investments;
- the performance and financial condition of our borrowers;
- the cost and availability of our financings, which depend in part on our asset quality, the nature of our relationships with our lenders and other capital providers, our business prospects and outlook and general market conditions;
- the availability and attractiveness of terms of additional debt repurchases;
- availability, terms and deployment of short-term and long-term capital;
- availability of, and ability to retain, qualified personnel;
- changes in our business strategy;
- availability of investment opportunities in commercial real estate-related and commercial finance assets;
- the degree and nature of our competition;
- the resolution of our non-performing and sub-performing assets;
- The outbreak of widespread contagious disease, such as the novel coronavirus, COVID 19;
- our ability to comply with financial covenants in our debt instruments;
- the adequacy of our cash reserves and working capital;
- the timing of cash flows, if any, from our investments;
- unanticipated increases in financial and other costs, including a rise in interest rates;
- our ability to maintain compliance with over-collateralization and interest coverage tests in our CDOs and/or CLOs;
- our dependence on ACRES Capital, LLC, our “Manager”, and ability to find a suitable replacement in a timely manner, or at all, if our Manager or we were to terminate the management agreement;
- environmental and/or safety requirements;
- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes and qualify for our exemption under the Investment Company Act of 1940, as amended, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;
- legislative and regulatory changes (including changes to laws governing the taxation of REITs or the exemptions from registration as an investment company); and
- other factors discussed under Item IA. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020 and those factors that may be contained in any subsequent filing we make with the Securities and Exchange Commission.

Forward Looking Statements (continued)



We undertake no obligation, and specifically disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this presentation might not occur and actual results, performance or achievement could differ materially from those anticipated or implied in the forward-looking statements.

Past performance is not indicative of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein.

This presentation contains information regarding financial results that is calculated and presented on the basis of methodologies other than in accordance with accounting principles generally accepted in the United States (“GAAP”), which management believes is relevant to assessing ACRES Commercial Realty Corp.’s (“ACR’s” or the “Company’s”) financial performance. Please refer to page 23 for the reconciliation of Net Income (Loss), a GAAP financial measure, to Core Earnings, a Non-GAAP financial measure.

Unless otherwise indicated, information included in this presentation is as of or for the period ended March 31, 2021.

No Offer or Sale of Securities

This presentation is for informational purposes only and does not constitute an offer to sell or the solicitation of any offer to buy any securities of ACR or any other entity. Any offering of securities would be made pursuant to separate documentation and any such securities would not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Recent Highlights¹



➤ CRE² loan originations increased by 73% over the fourth quarter of 2020.

Growth in CRE Loan Originations

\$144M

of CRE loan originations were closed in the first quarter of 2021

GAAP Net Income²

\$1.03

per share-diluted during first quarter of 2021

Robust Liquidity

\$143M

of net liquidity, including unrestricted cash, CRE term facility and senior secured financing facility² unfinanced proceeds and senior unsecured notes² availability

Significant Non-Recourse, Non-MTM² Financing

84%

of asset-specific borrowings comprised non-recourse, non-mark-to-market CLO² notes at March 31, 2021

Strong Loan Performance

97%

of ACR's 92 CRE loans were current on contractual payments through March 2021

Company Repurchased Common Stock

\$9.5M,

or 744,664 shares, of common stock was repurchased by ACR in the first quarter of 2021. \$3.0M remains available at April 30, 2021 for repurchase through June 2021



Results for Quarter Ended
March 31, 2021

Three Mos. Ended Mar. 31, 2021 Results and Recent Developments



Financial Results

- GAAP net income²: **\$1.03**
- GAAP net income⁴ includes a **\$0.55** reversal of CECL³ reserves primarily resulting from:
 - CRE loan payoffs
 - Improved collateral operating performance
- Core Earnings^{3,4,5}: **\$(0.01)**
- Core Earnings⁴ include a **\$(0.51)** non-recurring realized loss on the sale of the remaining CMBS³

Book Value⁶

- GAAP book value⁷: **\$22.27** versus \$20.57 in the fourth quarter of 2020

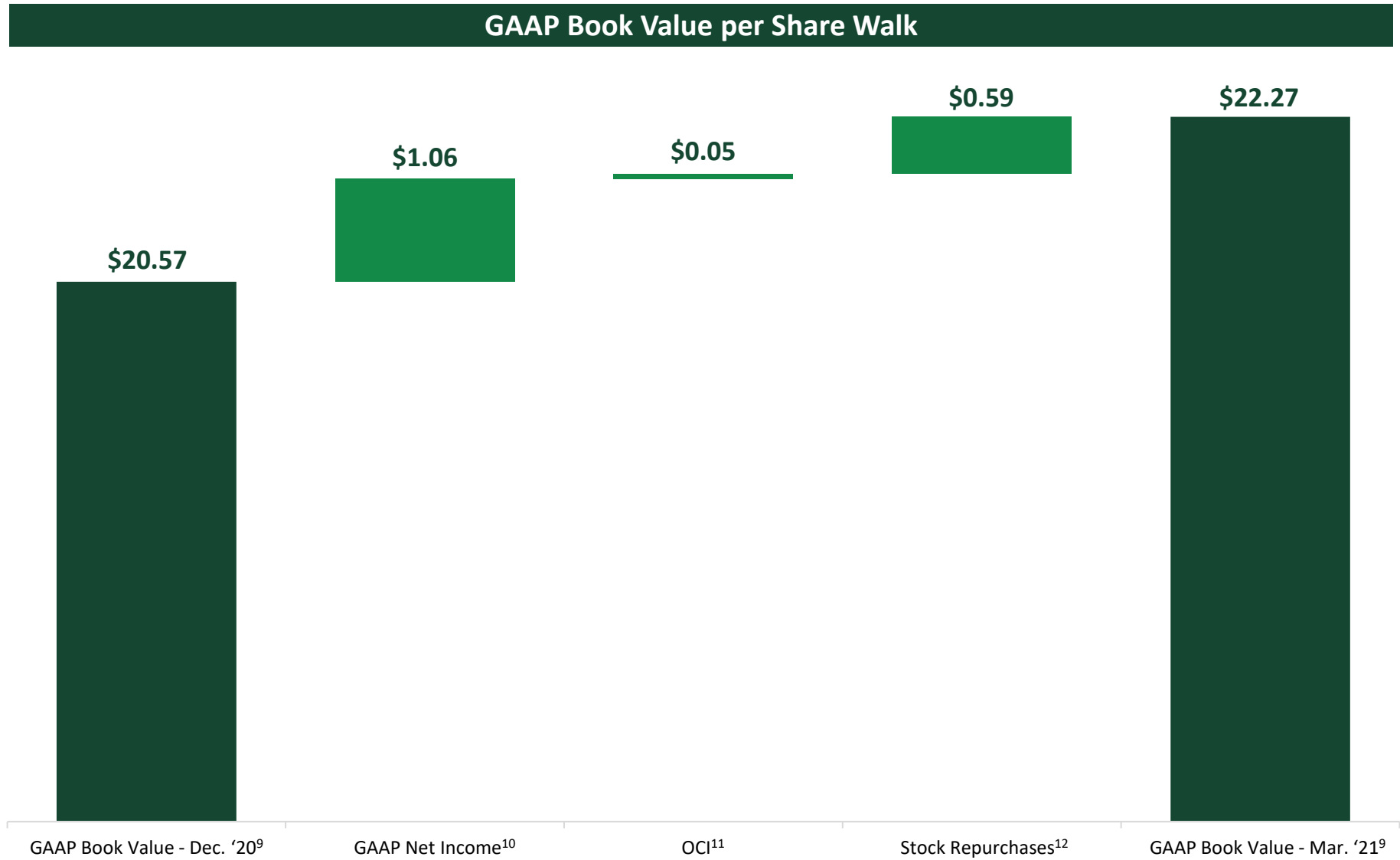
CRE Loan Portfolio

- **\$144.3M** of CRE loan originations⁴
- **\$1.5B** CRE loan portfolio⁷ with a weighted average LTV³ of 72%
- **All but three** of our 92 CRE loans were current with contractual payments through March 2021

Capitalization & Liquidity

- Non-recourse, non-mark-to-market CLO financings comprised **84%** of asset-specific borrowings⁷
- Net liquidity of **\$143.0M**⁸

First Quarter 2021 Book Value



Summary of Future Tax Considerations



- ACR expects the following future tax carryforwards as of December 31, 2020:
 - NOL¹³ carryforwards¹⁴ of \$50.0M to \$65.0M
 - Net capital loss carryforwards¹⁵ of \$115.0M to \$130.0M

- At its TRS¹³ entities, ACR had the following at December 31, 2020:
 - Pre-TCJA¹³ NOL carryforwards of approximately \$39.9M, some of which are set to expire in 2044
 - NOL carryforwards of approximately \$19.5M, which have an indefinite carryforward period
 - Net capital loss carryforwards of approximately \$900,000



CRE Loan Activity and Portfolio

Deployment Progress



CRE Loan Production, at Par

\$ in Millions	1 st Quarter 2021	4 th Quarter 2020
New CRE floating-rate loan commitments	\$144.3	\$83.4
Sales, payoffs and paydowns ¹⁶	(197.2)	(162.0)
Future fundings	6.6	6.3
New unfunded loan commitments	(18.6)	(0.6)
Net CRE loans paid down	\$(64.9)	\$(72.9)
New CRE loans:		
Weighted average LTV¹⁷	67%	71%
Weighted average coupon	1M L¹⁸ + 4.38%	1M L¹⁸ + 6.19%
Weighted average LIBOR floor	0.44%	0.74%

Highlights¹⁹

- ACR originated six CRE whole loans in the first quarter of 2021, all of which were originated with new borrowers

Collateral Type:

- Five of the loans, or 94.3% of total originations, are collateralized by multifamily properties
- One of the loans, or 5.7% of total originations, is collateralized by a hotel property

Collateral Location:

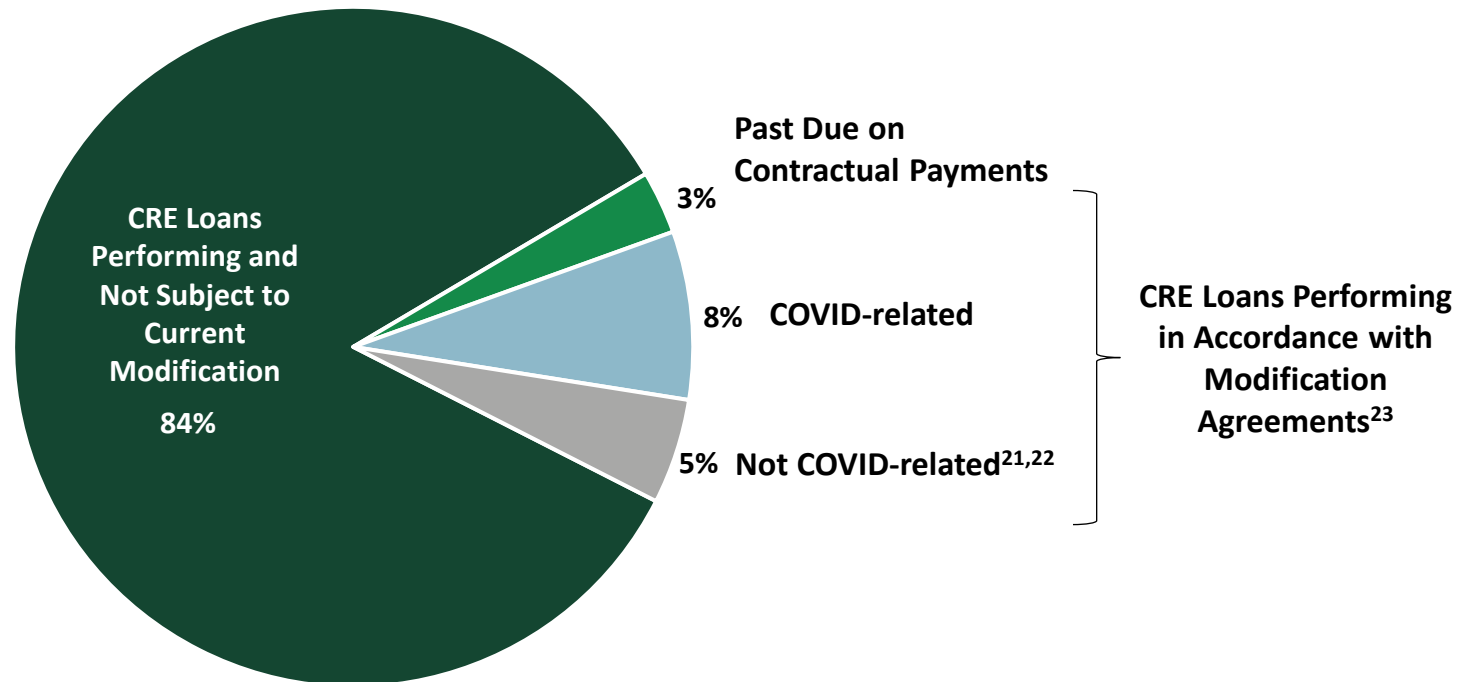
- 65.3%, 19.7%, 8.0% and 7.0% of the loans were originated in the Southeast, Mid-Atlantic, Northeast and Mountain regions¹⁸, respectively

CRE Loan Performance



- **All but three loans** (representing 3%²⁰) of ACR's 92 CRE loans **are current on contractual payments** through March 2021
- ACR executed extensions, unrelated to the COVID-19 pandemic, on four CRE loans that became effective during the first quarter of 2021

CRE Loan Modifications as of March 31, 2021²⁰



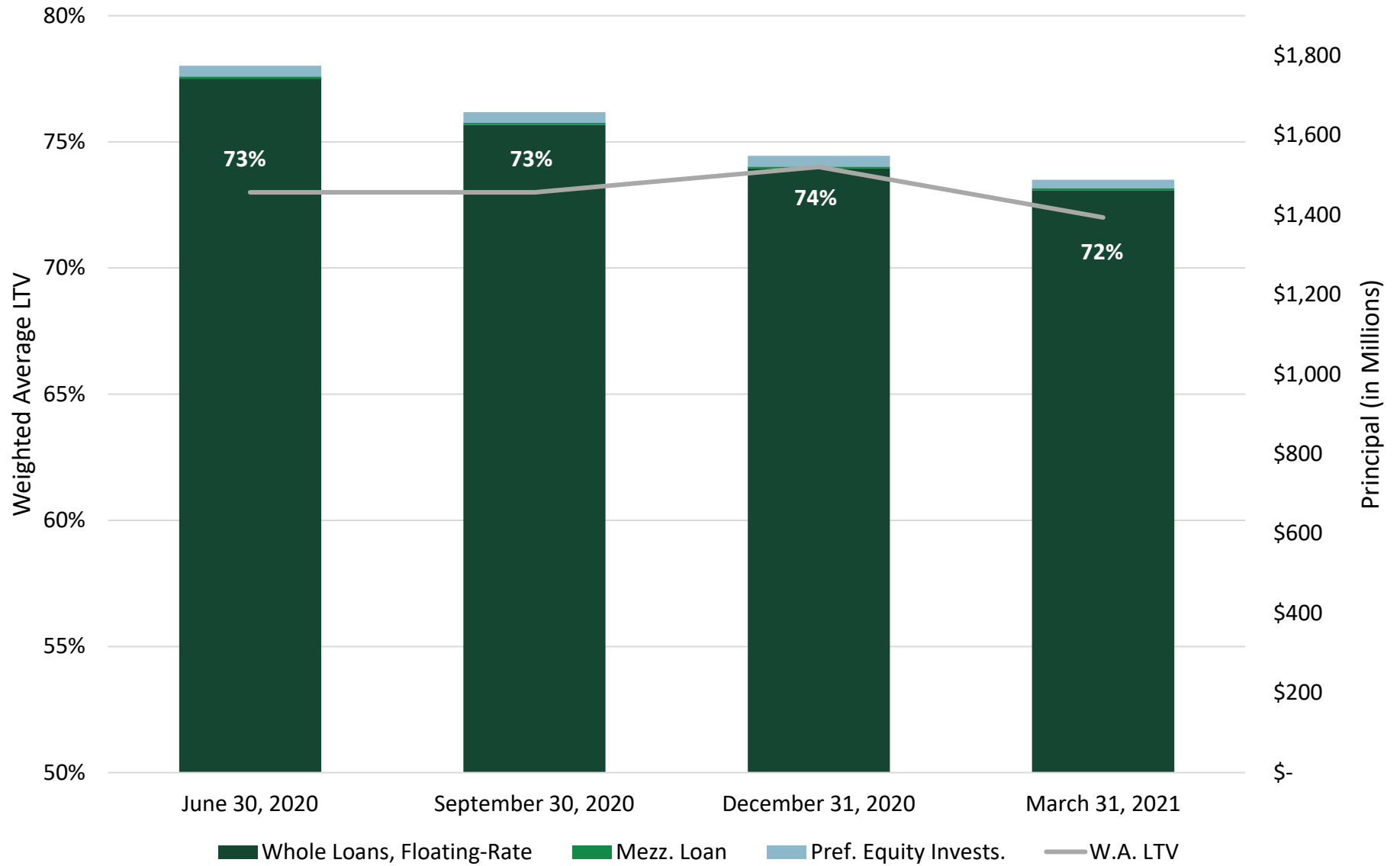
CRE Loan Portfolio Overview



- **All floating-rate loans have LIBOR floors** in excess of the current LIBOR rate on a weighted average basis

\$ in Millions	Mar. 31, 2021 (92 loans)	Dec. 31, 2020 (100 loans)	Sep. 30, 2020 (107 loans)	Jun. 30, 2020 (118 loans)
CRE whole loans, floating-rate ²⁴	\$1,456	\$1,510	\$1,620	\$1,734
CRE mezzanine loan	5	5	5	5
CRE preferred equity investments ²⁵	22	27	27	27
Total loans held for investment amortized cost	\$1,483	\$1,542	\$1,652	\$1,766
Allowance for credit losses	(29)	(34)	(53)	(61)
Total loans held for investment carrying value	\$1,454	\$1,508	\$1,599	\$1,705
CRE whole loans, fixed-rate carrying value ^{26,27}	-	4	5	5
Total CRE loan portfolio carrying value	\$1,454	\$1,512	\$1,604	\$1,710
Weighted Averages				
CRE whole loans, floating-rate	1M L + 3.67%	1M L + 3.56%	1M L + 3.41%	1M L + 3.41%
1M LIBOR ²⁸ Floor	1.72%	1.88%	1.92%	1.92%
CRE mezzanine loan & preferred equity investments coupon rate	11.43% ²⁵	11.18%	11.18%	11.18%
CRE whole loans, fixed-rate	-% ²⁶	4.44%	4.44%	4.44%
Total CRE loan portfolio LTV²⁹	72%	74%	73%	73%

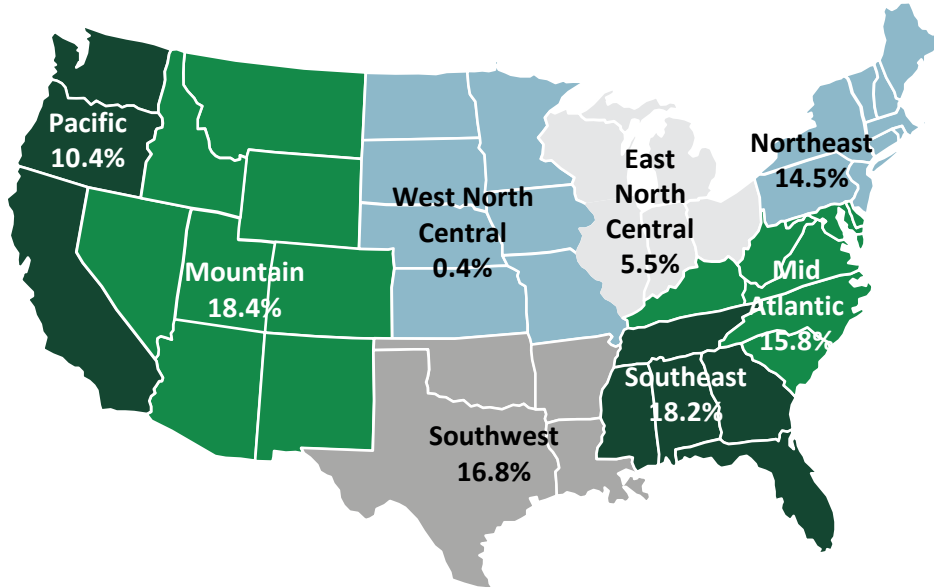
CRE Loan Portfolio LTV²⁹



CRE Loan Portfolio Diversification



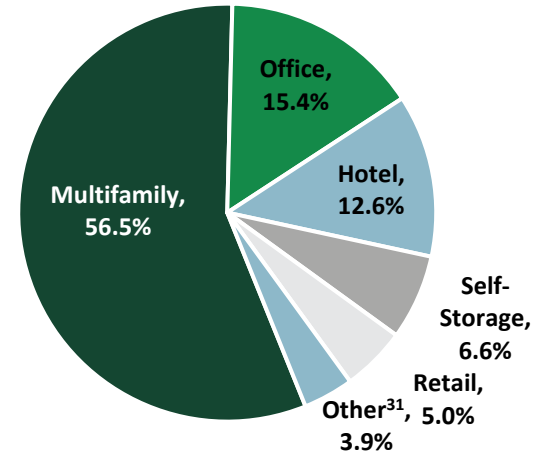
Balance by Region^{18,30}



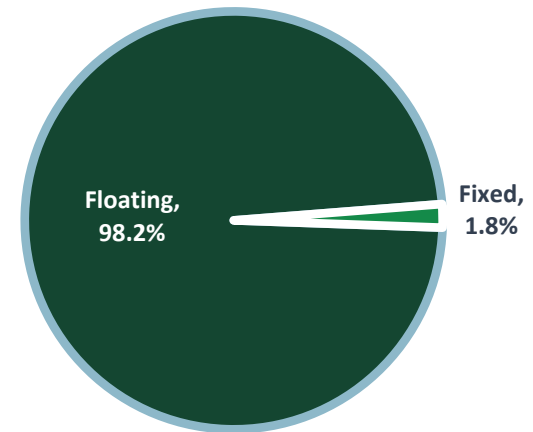
Top State Concentration Metrics:

- Texas: 16.6%
- Florida: 11.3%
- New York: 10.4%
- California: 8.6%
- Arizona: 8.1%

Property Type³⁰



Interest Rate Type³⁰

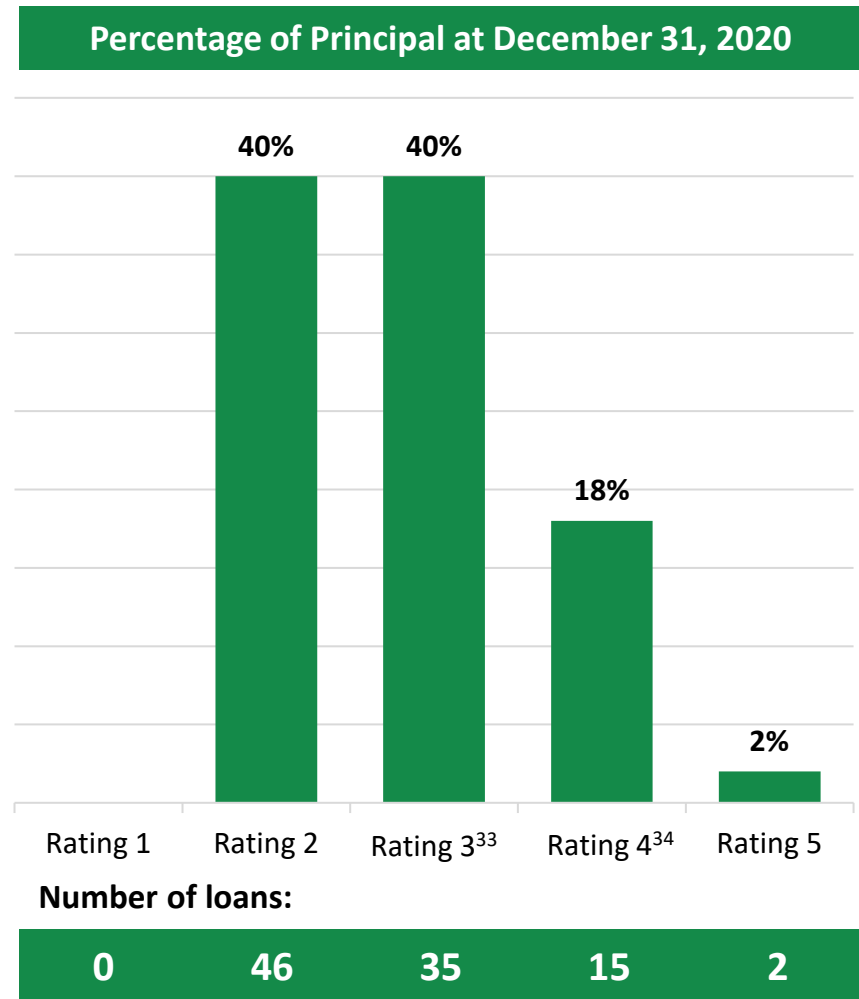
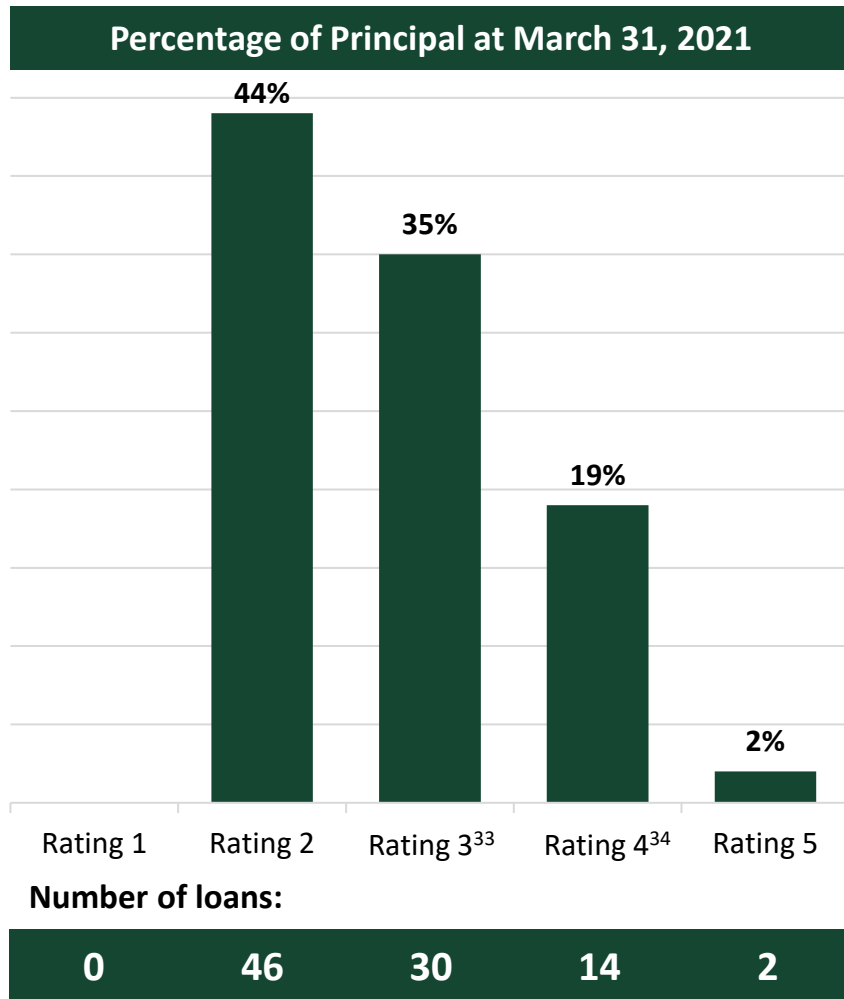


All floating-rate loans have LIBOR floor protection

CRE Loan Portfolio Risk Ratings³²



- **79%** of ACR's loans have a risk rating of 2 or 3 that are performing in line or near underwritten expectations





Capitalization and Liquidity

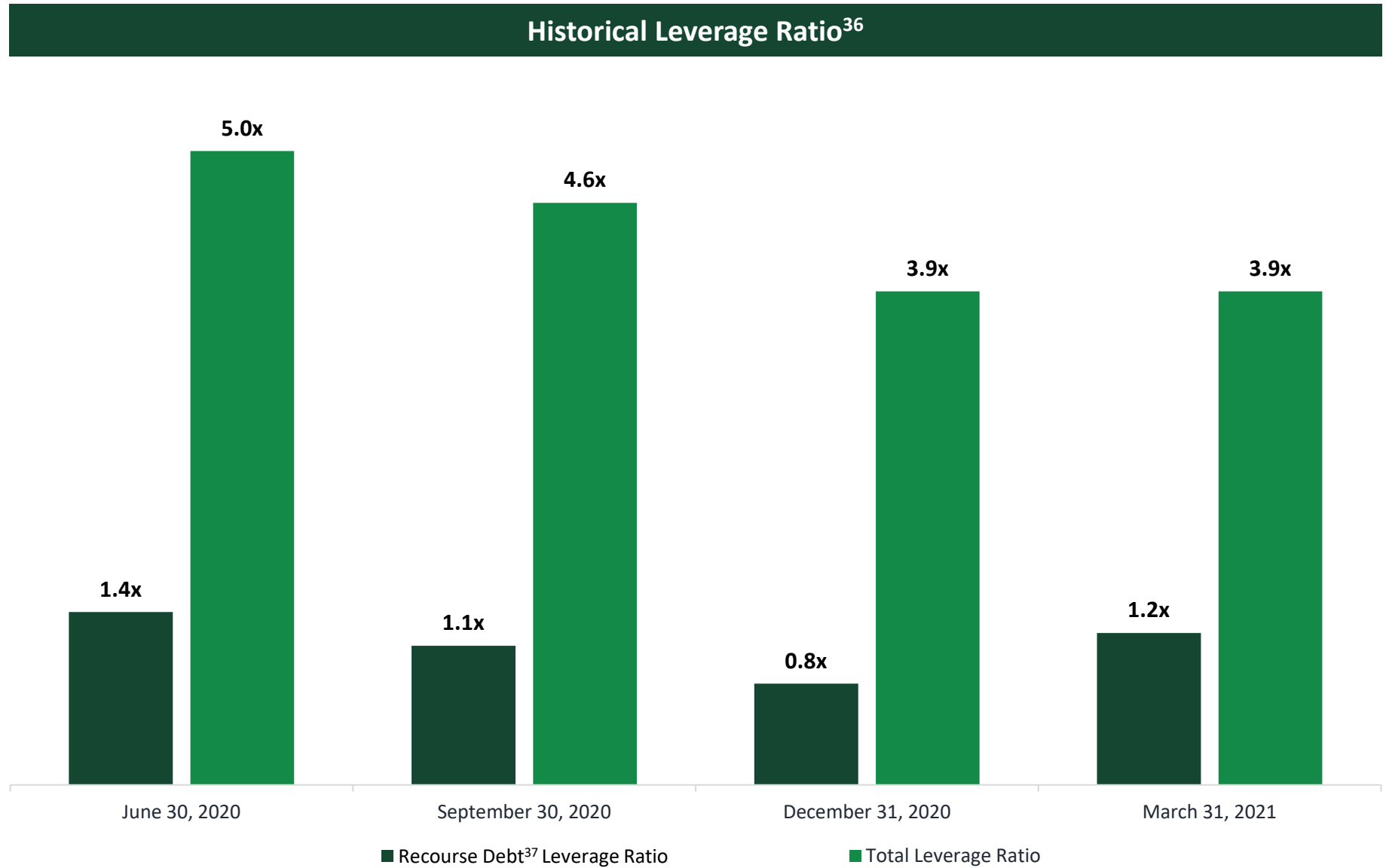
Summary Capitalization



- **\$901.2 million** of availability³⁵ on its term warehouse and senior financing facilities and senior unsecured notes.

\$ in Millions	Capitalization ⁷				
	Maximum Capacity	Amount	Availability ³⁵	Wghtd. Avg. Coupon	Leverage Ratio ³⁶
Term warehouse financing facilities	\$750.0	\$128.3	\$621.1	2.33%	0.4x
Senior secured financing facility ^{37,38}	250.0	41.0	205.1	5.75%	0.1x
Senior unsecured notes ^{39,40}	125.0	46.5	75.0	12.00%	0.1x
Convertible senior notes ⁴¹	138.2	138.2	-	4.50%	0.4x
Trust preferred sec.	51.5	51.5	-	3M L ⁴² + 3.95%	0.2x
Total recourse debt³⁷	\$1,314.7	\$405.5	\$901.2		1.2x
Securitized ³⁷	902.1	902.1	-	1M L + 1.93%	2.7x
Total leverage	\$2,216.8	\$1,307.6	\$901.2		3.9x
Preferred equity ⁴¹		116.0		8.63%	
Common equity		219.8			
Total capitalization		\$1,643.4		3.38% WACC⁴³	

Historical Leverage Ratios



Liquidity at April 30, 2021



(\$ in Millions)





Appendix

Consolidated Balance Sheets



(In Thousands, except share and per share data)

Assets

Cash and cash equivalents

Restricted cash

Accrued interest receivable

CRE loans

Less: allowance for credit losses

CRE loans, net

Investment securities available-for-sale

Principal paydowns receivable

Loan receivable - related party

Investments in unconsolidated entities

Investment in real estate

Right of use assets

Intangible assets

Other assets

Assets held for sale

Total Assets

Liabilities

Accounts payable and other liabilities

Management fee payable - related party

Accrued interest payable

Borrowings

Lease liabilities

Distributions payable

Accrued tax liability

Liabilities held for sale

Total Liabilities

Stockholders' Equity

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

Common stock, par value \$0.001: 125,000,000 shares authorized; 9,417,511 and 10,162,289 shares issued and outstanding (including 11,610 and 11,610 unvested restricted shares)

Additional paid-in capital

Accumulated other comprehensive loss

Distributions in excess of earnings

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity

Mar. 31, 2021

Dec. 31, 2020

(Unaudited)

\$70,985

\$29,355

42,825

38,386

7,368

7,372

1,482,371

1,541,992

(28,669)

(34,310)

1,453,702

1,507,682

-

2,080

19,550

4,250

11,825

11,875

1,548

1,548

33,413

33,806

5,576

5,592

3,210

3,294

6,356

8,783

61

61

\$1,656,419

\$1,654,084

\$3,317

\$2,068

442

442

2,840

6,036

1,307,649

1,304,727

3,101

3,107

1,725

1,725

1

57

1,538

1,540

1,320,613

1,319,702

5

5

9

10

1,076,442

1,085,941

(9,522)

(9,978)

(731,128)

(741,596)

335,806

334,382

\$1,656,419

\$1,654,084

Consolidated Statements of Operations



(In Thousands, except share and per share data)

	For the Three Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
	(Unaudited)	(Unaudited)
Revenues		
Interest income	\$24,749	\$33,290
Interest expense	13,724	18,394
Net interest income	11,025	14,896
Real estate income	1,654	-
Other revenue	16	23
Total revenues	12,695	14,919
Operating Expenses		
Management fees - related party	1,326	2,117
Equity compensation - related party	19	498
Real estate operating expenses	1,831	-
General and administrative	3,153	3,382
Depreciation and amortization	44	15
(Reversal of) provision for credit losses, net	(5,641)	16,149
Total operating expenses	732	22,161
Other Income (Expense)		
Net realized and unrealized gain (loss) on investment securities, loans and derivatives	878	(185,357)
Fair value adjustments on financial assets held for sale	-	(3,791)
Other income (expense)	215	(131)
Total other income (expense)	1,093	(189,279)
Income (Loss) before Taxes	13,056	(196,521)
Income tax benefit	-	-
Net Income (Loss)	13,056	(196,521)
Net income allocated to preferred shares	(2,588)	(2,588)
Net Income (Loss) Allocable to Common Shares	\$10,468	\$(199,109)
Net Income (Loss) Per Common Share - Basic⁴⁵	\$1.03	\$(18.89)
Net Income (Loss) Per Common Share - Diluted⁴⁵	\$1.03	\$(18.89)
Weighted Average Number of Common Shares Outstanding - Basic ⁴⁵	10,196,124	10,542,068
Weighted Average Number of Common Shares Outstanding - Diluted ⁴⁵	10,205,369	10,542,068

Core Earnings⁴⁶



- The following table provides a reconciliation from GAAP net income (loss) allocable to common shares to Core Earnings allocable to common shares, a non-GAAP measure, for the periods presented:

(Unaudited, In Thousands, except share and per share data)

	For the Three Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Net Income (Loss) Allocable to Common Shares - GAAP	\$10,468	\$(199,109)
Reconciling Items From Continuing Operations:		
Non-cash equity compensation expense	19	498
Non-cash (reversal of) provision for CRE credit losses	(5,641)	16,149
Realized loss on core activities ⁴⁷	(5,246)	-
Unrealized (gain) loss on core activities ⁴⁷	(878)	5,197
Real estate depreciation and amortization	531	-
Non-cash amortization of discounts or premiums associated with borrowings	822	711
Net (income) loss from non-core assets	(33)	18
Reconciling Items From Legacy CRE Assets:		
Net interest income on legacy CRE assets	(161)	(161)
Fair value and other adjustments on legacy CRE assets	-	3,791
Core Earnings Allocable to Common Shares	\$(119)	\$(172,906)
Core Earnings per Common Share - Diluted⁴⁵	\$(0.01)	\$(16.40)
Weighted Average Number of Common Shares Outstanding - Diluted on Core Earnings Allocable to Common Shares ⁴⁵	10,196,124	10,542,068

47. In March 2021, the CMBS portfolio was sold for \$3.0 million, representing a total realized loss of \$5.2 million that was included in Core Earnings during the three months ended March 31, 2021. Unrealized (gain) loss on core activities comprises the unrealized gains and losses on the CMBS portfolio, which were excluded from Core Earnings.



1. Unless otherwise noted, “recent highlights” include activity that occurred during the second quarter of 2021 or balances at April 30, 2021.
2. “CRE” refers to commercial real estate. “GAAP net income” refers to GAAP net income allocable to common shares - diluted. The “senior secured financing facility” refers to the senior secured financing facility with MassMutual with total commitments of \$250.0 million. The “senior unsecured notes” refer to the 12.00% senior unsecured notes due 2027 with Oaktree and MassMutual. “Series C Preferred Stock” refers to the 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. “MTM” refers to mark-to-market. “CLO” refers to collateralized loan obligation.
3. “CECL” refers to current expected credit losses, the determinant of the estimate of the CRE loan allowance. “Core Earnings” refers to Core Earnings allocable to common shares - diluted, a non-GAAP measure. “CMBS” refers to commercial mortgage-backed securities. “LTV” refers to loan-to-collateral value.
4. During the three months ended March 31, 2021.
5. Refer to page 23 for the reconciliation of Net Income (Loss), a GAAP financial measure, to Core Earnings, a Non-GAAP financial measure.
6. GAAP book value is presented per common share, excluding unvested restricted stock and including warrants to purchase common stock. The measure refers to common stock book value, which is calculated as total stockholders’ equity less preferred stock equity.
7. At March 31, 2021.
8. At April 30, 2021.
9. Per share calculations exclude unvested restricted stock, as disclosed on the consolidated balance sheets, of 11,610 shares at March 31, 2021 and December 31, 2020 and include warrants to purchase up to 466,661 shares of common stock at March 31, 2021 and December 31, 2020, see footnote 37 below. The denominators for the calculations are 9,872,562 and 10,617,340 at March 31, 2021 and December 31, 2020, respectively.
10. The per share amount is calculated with the denominator referenced in footnote 9 at March 31, 2021. Net income per common share - diluted of \$1.03 is calculated using the weighted average diluted shares outstanding during the three months ended March 31, 2021.
11. “OCI” refers to the change in accumulated other comprehensive income (loss) attributable to terminated derivatives.
12. ACR’s board of directors authorized and approved the continued use of the share repurchase program to repurchase up to \$20.0 million of the currently outstanding common stock through June 2021. ACR purchased 1,280,150 shares for \$14.9 million through March 31, 2021.
13. “NOL” refers to net operating loss. “TRS” refers to taxable real estate investment trust subsidiaries. “TCJA” refers to the Tax Cuts and Jobs Act.
14. In general, NOL carryforwards can be used to offset both ordinary taxable income and capital gains in future years.
15. Net capital loss carryforwards may be carried back three years and carried forward up to five years to offset future capital gains.
16. Excludes legacy CRE loans.
17. LTV is based on the initial funding divided by the as-is appraised property value for new CRE loans, the average of which is weighted based on the initial CRE loan commitments of originated CRE loans.
18. “1M L” refers to the one-month London Interbank Offered Rate. Regions refer to the regions identified by the National Council of Real Estate Investment Fiduciaries.
19. Percentages are calculated based on \$125.7 million of principal originated during the three months ended March 31, 2021.
20. Percentages are calculated based on total principal, or \$1.5 billion, at March 31, 2021.
21. Represent extensions to borrowers that are not experiencing financial difficulty in connection with the COVID-19 pandemic.
22. Includes one loan with a principal balance of \$17.0 million, or 1% of total principal at March 31, 2021 that paid off in April 2021.
23. Loan modifications include forbearance agreements and extension agreements.
24. Includes one legacy CRE loan reported at its amortized cost of \$11.5 million at March 31, 2021 classified as a CRE loan on the consolidated balance sheet that entered technical default in June 2020. The Company intends to hold this loan until payoff.
25. ACR received a \$6.7 million payoff on one preferred equity investment in March 2021.
26. The CRE fixed-rate whole loans were sold in March 2021 at par for \$4.8 million.
27. Classified as other assets on the consolidated balance sheet.
28. “1M LIBOR” refers to the one-month London Interbank Offered Rate.

Footnotes (Continued)



29. LTV is based on the outstanding principal divided by the as-is appraised property value available at March 31, 2021.
30. At March 31, 2021; percentages are calculated based on \$1.5 billion carrying value.
31. Other property types include: (i) manufactured housing, 3.1% and (ii) industrial, 0.8% at March 31, 2021.
32. See page 26 for additional information.
33. Includes one mezzanine loan, 0.3% of total principal, risk rated a 3 at March 31, 2021 and December 31, 2020. Includes one preferred equity investment, 0.4% of total principal, risk rated a 3 at December 31, 2020. The preferred equity investment paid off in March 2021.
34. Includes one preferred equity investment, 1.4% of total principal, risk rated a 4 at March 31, 2021 and December 31, 2020.
35. Availability is calculated as the difference between the maximum capacity on the applicable borrowing and the principal outstanding.
36. The leverage ratio is calculated as the respective period ended borrowings over total equity.
37. Borrowings included as recourse debt are guaranteed by ACR while CRE securitizations have no recourse against the Company. Additionally, the senior secured financing facility is guaranteed by Exantas Real Estate Funding 2019-RS07 Investor, LLC, Exantas Real Estate Funding 2020-RS08 Investor, LLC and Exantas Real Estate Funding 2020-RS09 Investor, LLC.
38. The facility has an initial two-year revolving period followed by a five-year term that matures July 31, 2027 and charges interest at 5.75%.
39. The outstanding senior unsecured notes charge interest at 12.00%, of which 3.25% may be paid-in-kind, and mature on July 31, 2027. The available unsecured notes remain available to ACR for 18 months following the close date on July 31, 2020.
40. ACR issued warrants to purchase 466,661 shares of its common stock at an exercise price of \$0.03 per share in connection with the issuance of the \$50.0 million of unsecured notes to MassMutual and Oaktree, in the aggregate. The issuance of the remaining \$75.0 million of unsecured notes will trigger the issuance of additional warrants to purchase 699,992 common shares ratably as commitments are funded.
41. Face amount of convertible senior notes and preferred equity are \$143.8 million and \$120.0 million, respectively.
42. "3M L" refers to the three-month LIBOR rate.
43. "WACC" refers to the weighted average cost of capital. The calculation of weighted average cost of capital excludes the impact of common equity on the denominator.
44. CRE term and senior secured facilities estimated unfinanced proceeds includes the projected amount of proceeds available to the Company if the unfinanced loans were financed with the applicable facilities.
45. All prior period share amounts and per share calculations in this presentation reflect a retrospective adjustment applied in connection with the one-for-three reverse stock split
46. See page 27 for additional information.



Commercial Real Estate Loans Risk Ratings

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 reunderwritten loan-to-collateral value 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. 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.

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.

- Rating 1:
 - Property performance has surpassed underwritten expectations
 - Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high quality tenant mix
- Rating 2:
 - Property performance is consistent with underwritten expectations and covenants and performance criteria are being met or exceeded
 - Occupancy is stabilized, near stabilized or is on track with underwriting
- Rating 3:
 - Property performance lags behind underwritten expectations
 - Occupancy is not stabilized and the property has some tenancy rollover
- Rating 4:
 - Property performance significantly lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers
 - Occupancy is not stabilized and the property has a large amount of tenancy rollover
- Rating 5:
 - 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
 - The property has a material vacancy rate and significant rollover of remaining tenants
 - An updated appraisal is required upon designation and updated on an as-needed basis

Other Disclosures (continued)



Core Earnings

Core Earnings is a non-GAAP financial measure that we use to evaluate our operating performance. Core Earnings exclude the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current commercial real estate (“CRE”) loan portfolio and other CRE-related investments and operations. Core Earnings exclude income (loss) from all non-core assets comprised of investments and securities owned by the Company at the initial measurement date of December 31, 2016 in commercial finance, middle market lending, residential mortgage lending, certain legacy CRE loans and other non-CRE assets designated as assets held for sale.

Core Earnings, 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 loan 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. Core Earnings 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 Fourth Amended and Restated Management Agreement we calculate the Manager’s incentive compensation using Core Earnings excluding incentive fees payable to the Manager, we include incentive fees payable to the Manager in Core Earnings for reporting purposes.

Company Information



ACRES Commercial Realty Corp. is a real estate investment trust that is primarily focused on originating, holding and managing commercial real estate mortgage loans and other commercial real estate-related debt investments. Additional information is available at the Company's website, www.acresreit.com.

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New York Stock Exchange:

Common Stock Symbol: ACR
Pref. Stock Symbol: ACRPrC