



ACRES Commercial Realty Corp.

Second Quarter 2021 Earnings Presentation

August 4, 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 22 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 June 30, 2021.

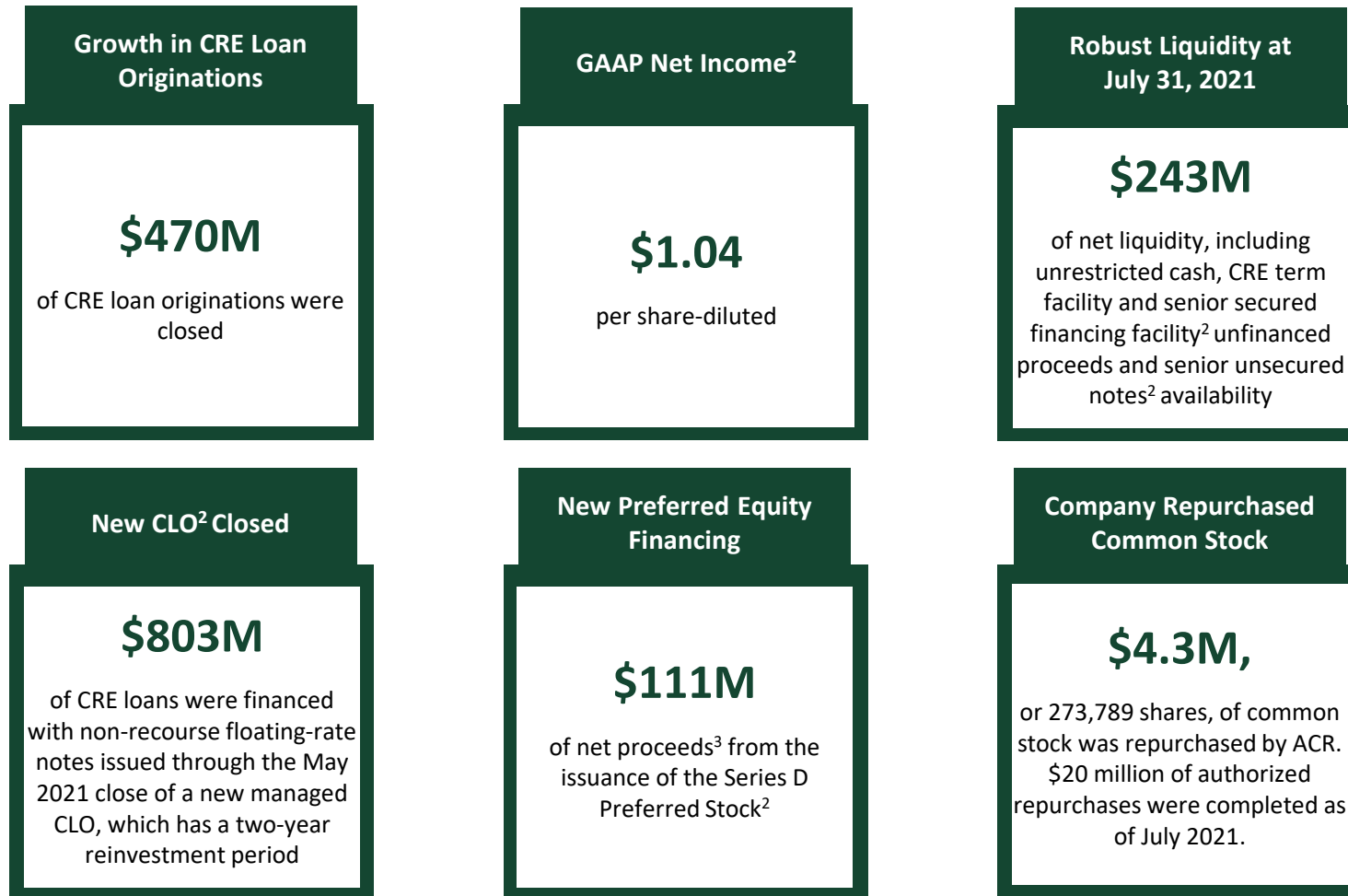
No Offer or Sale of Securities

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.

Second Quarter 2021 Highlights¹



➤ CRE² loan originations increased by **226%** over the first quarter of 2021.





Results for Quarter and Six Months Ended June 30, 2021

Three And Six Months Ended June 30, 2021 Results and Recent Developments



Financial Results

- GAAP net income^{2,4}: **\$1.04** and **\$2.06**, respectively
- GAAP net income⁴ includes a **\$1.06** and **\$1.60**, respectively, reversal of CECL⁵ reserves primarily resulting from:
 - Improved macroeconomic factors
 - CRE loan payoffs
 - Improved collateral operating performance
- Core Earnings^{4,5,6}: **\$0.10** and **\$0.09**, respectively

Book Value⁷

- GAAP book value⁸: **\$23.56** versus \$22.27 in the first quarter of 2021

CRE Loan Portfolio

- **\$470.2M** and **\$614.5M**, respectively, of CRE loan originations⁴
- **\$1.6B** CRE loan portfolio⁸ with a weighted average LTV⁵ of **71%**

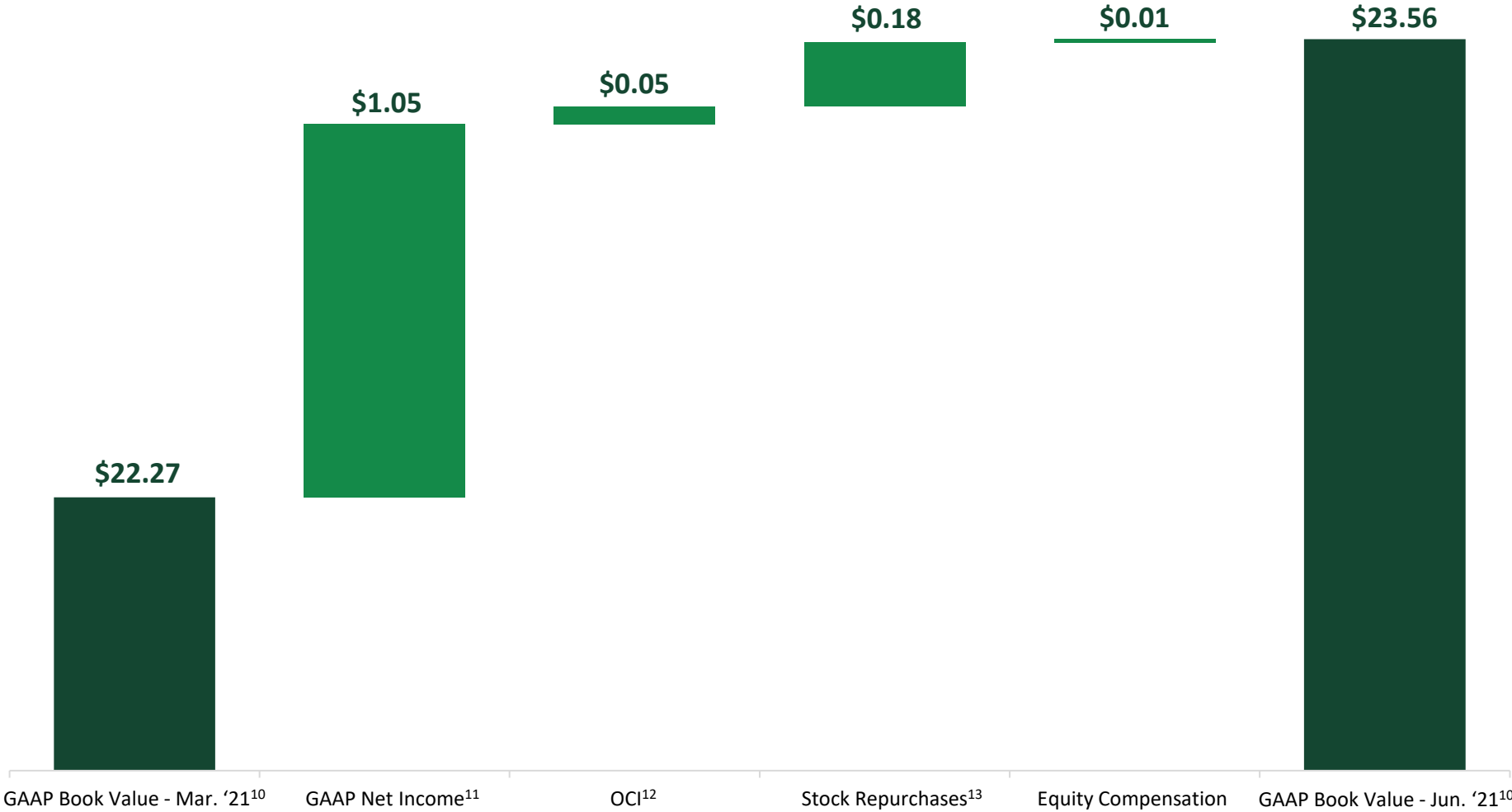
Capitalization & Liquidity

- Closed an **\$802.6M** CLO in May 2021; issued \$675.2M of non-recourse floating-rate notes at a weighted average cost of 1M LIBOR⁵ plus 1.49%
- Liquidated the remaining **\$344.3M** of notes of XAN 2019-RSO7⁵, which was terminated in May 2021
- Issued **4.6M** shares of new Series D Preferred Stock for net proceeds of **\$110.8M**³ to be used predominantly for new CRE loan production
- Non-recourse, non-mark-to-market CLO financings comprised **94%** of asset-specific borrowings⁸
- Net liquidity of **\$243.1M**⁹

Second Quarter 2021 Book Value



GAAP Book Value per Share Walk





CRE Loan Activity and Portfolio

Deployment Progress



CRE Loan Production, at Par			
\$ in Millions	2 nd Quarter 2021	1 st Quarter 2021	4 th Quarter 2020
New CRE floating-rate loan commitments	\$470.2	\$144.3	\$83.4
Sales, payoffs and paydowns ¹⁴	(353.2)	(197.2)	(162.0)
Future fundings	6.5	6.6	6.3
New unfunded loan commitments	(39.0)	(18.6)	(0.6)
Net CRE loans funded (repaid)	\$84.5	\$(64.9)	\$(72.9)
New CRE loans:			
Weighted average LTV¹⁵	70%	67%	71%
Weighted average coupon	1M L¹⁷ + 3.81%	1M L¹⁷ + 4.38%	1M L¹⁷ + 6.19%
Weighted average LIBOR floor¹⁶	0.22%	0.44%	0.74%

Production, Payoff and Paydown Detail



New Loan Production	W. Avg. Coupon Rate	Commitments
Multifamily (14 Loans)	1M L + 3.47%	\$401.3
Hotel (2 Loans)	1M L + 6.30%	\$35.6
Office (1 Loan)	1M L + 5.00%	\$25.0
Self-Storage (1 Loan)	1M L + 5.25%	\$8.3
W. Avg./Total	1M L + 3.81%	\$470.2

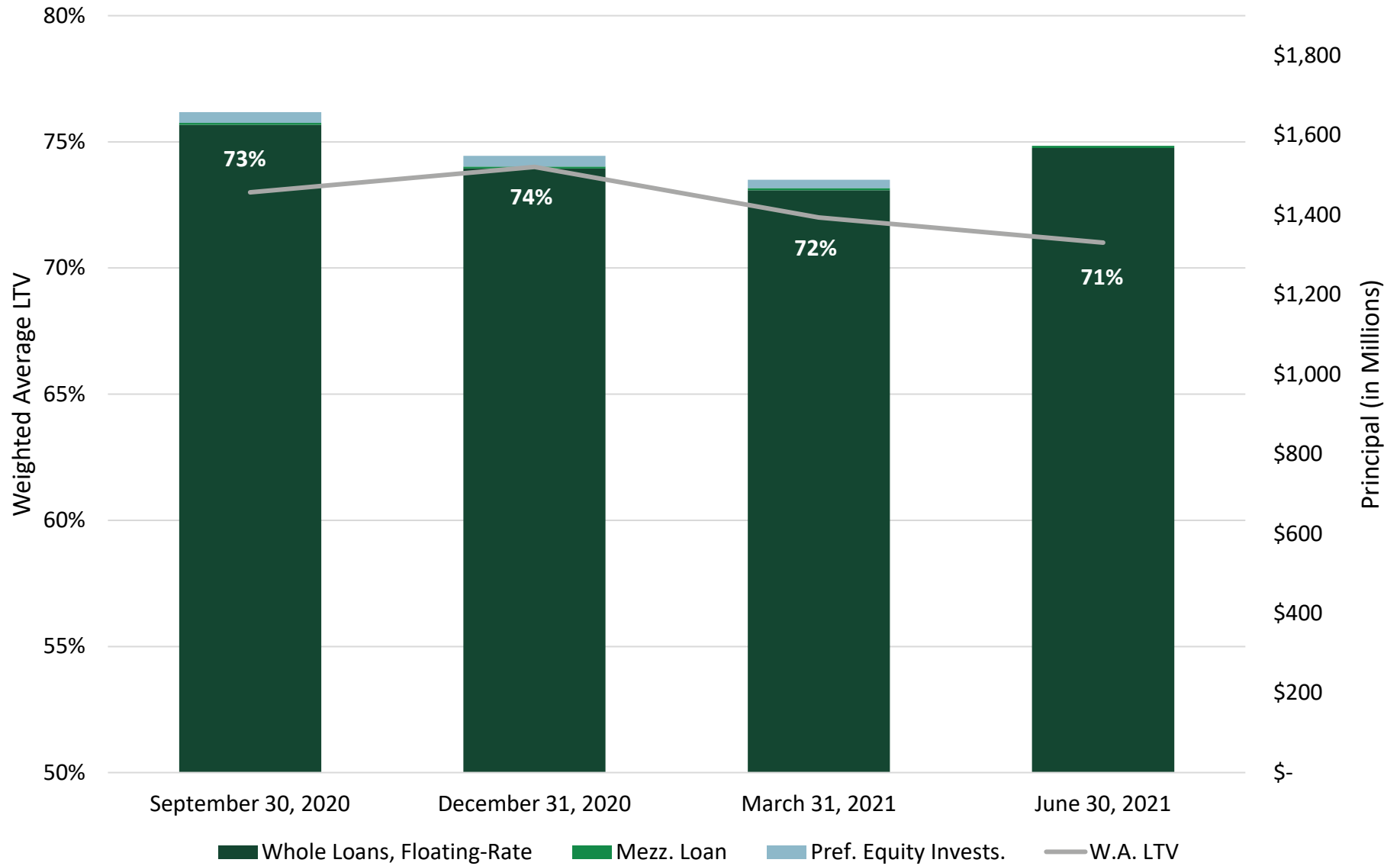
Loan Payoffs & Paydowns	W. Avg. Months on Balance Sheet	W. Avg. Ft. Coupon Rate ¹⁸	Payoffs & Paydowns
Multifamily (13 Loans)	26	1M L + 2.94%	\$255.1
Hotel (2 Loans)	48	1M L + 5.35%	\$46.2
Manufactured Housing (4 Loans)	32	1M L + 4.39%	\$31.5
Industrial (1 Loan)	44	1M L + 6.50%	\$11.8
Office (1 Loan)	23	1M L + 3.75%	\$5.3
Self-Storage (1 Loan)	24	1M L + 4.00%	\$2.8
Partial Paydowns (Various)			\$0.5
W. Avg/Total	30 mths.	1M L¹⁹ + 3.56%	\$353.2

CRE Loan Portfolio Overview



\$ in Millions	Jun. 30, 2021 (88 loans)	Mar. 31, 2021 (92 loans)	Dec. 31, 2020 (100 loans)	Sep. 30, 2020 (107 loans)
CRE whole loans, floating-rate ^{20,21}	\$1,559	\$1,456	\$1,510	\$1,620
CRE mezzanine loan	5	5	5	5
CRE preferred equity investments ²²	-	22	27	27
Total loans held for investment amortized cost	\$1,564	\$1,483	\$1,542	\$1,652
Allowance for credit losses	(18)	(29)	(34)	(53)
Total loans held for investment carrying value	\$1,546	\$1,454	\$1,508	\$1,599
CRE whole loans, fixed-rate carrying value ^{23,24}	-	-	4	5
Total CRE loan portfolio carrying value	\$1,546	\$1,454	\$1,512	\$1,604
Weighted Averages				
CRE whole loans, floating-rate ^{20,21}	1M L + 3.78%	1M L + 3.67%	1M L + 3.56%	1M L + 3.41%
1M LIBOR Floor ^{16,20,21}	1.31%	1.72%	1.88%	1.92%
CRE mezzanine loan & preferred equity investments coupon rate	10.00% ²²	11.43% ²²	11.18%	11.18%
CRE whole loans, fixed-rate	-% ²³	-% ²³	4.44%	4.44%
Total CRE loan portfolio LTV²⁵	71%	72%	74%	73%

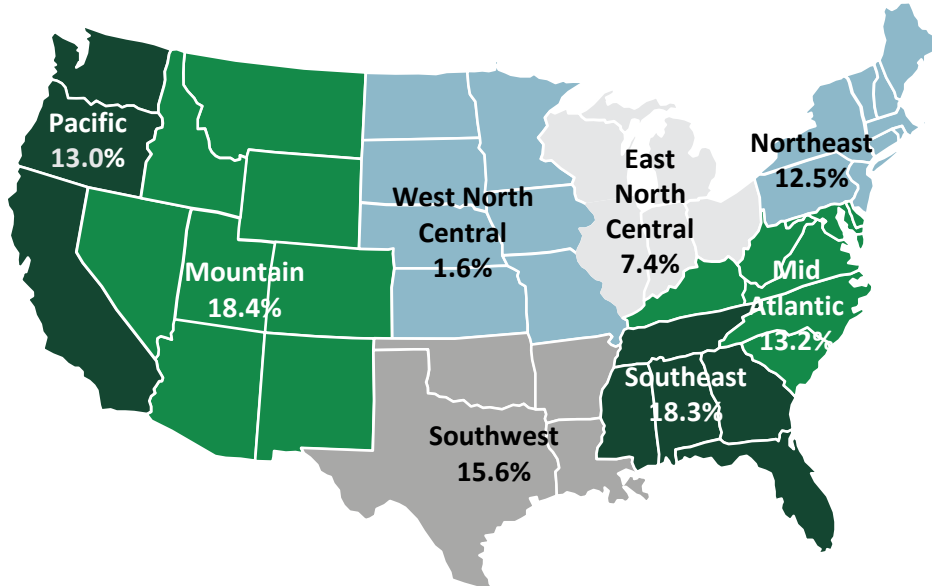
CRE Loan Portfolio LTV²⁵



CRE Loan Portfolio Diversification



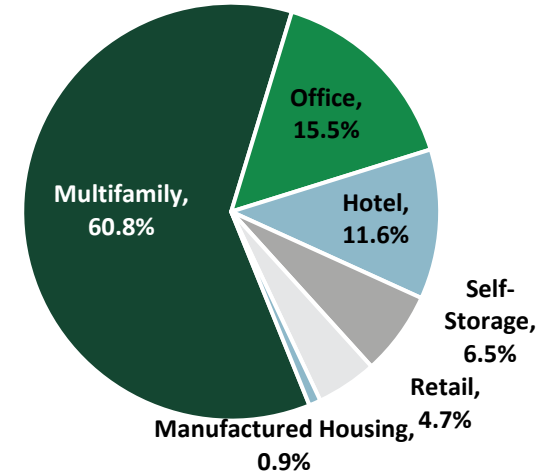
Balance by Region^{26,27}



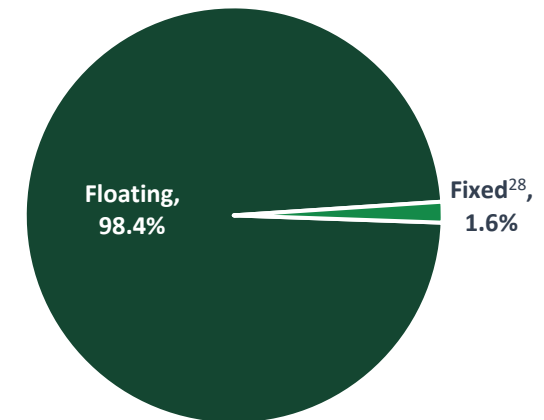
Top State Concentration Metrics:

- Texas: 15.6%
- Florida: 12.6%
- New York: 9.9%
- Arizona: 8.4%
- California: 8.1%

Property Type²⁷



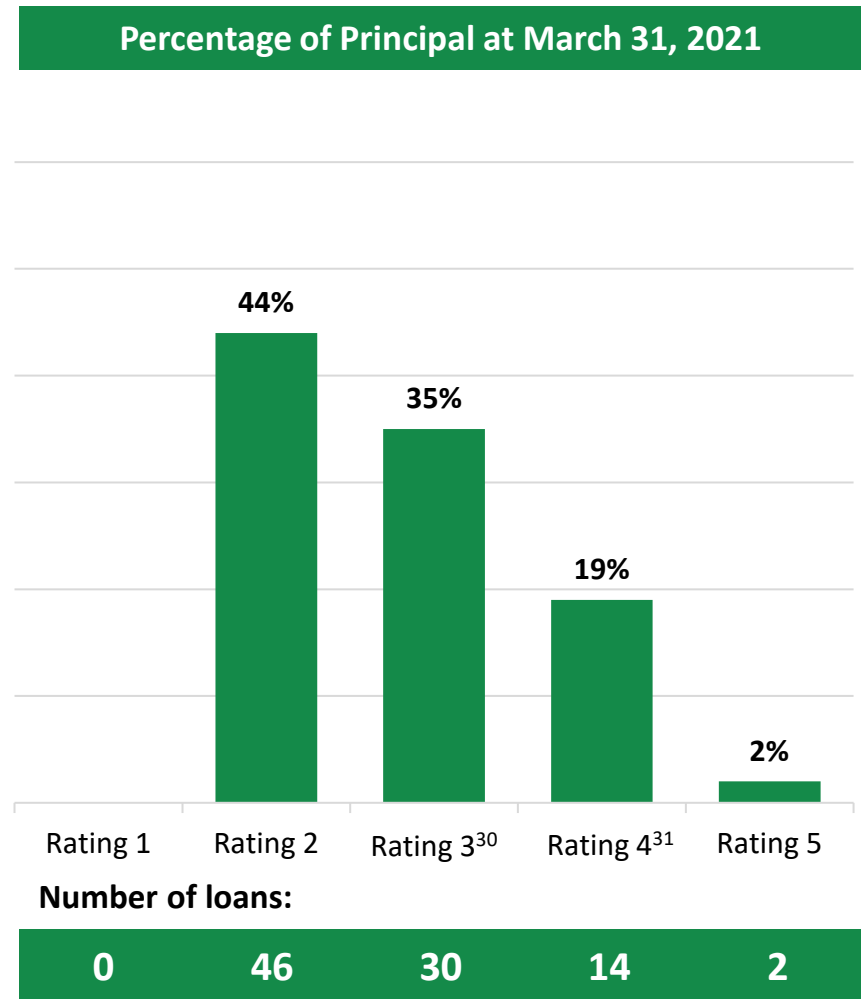
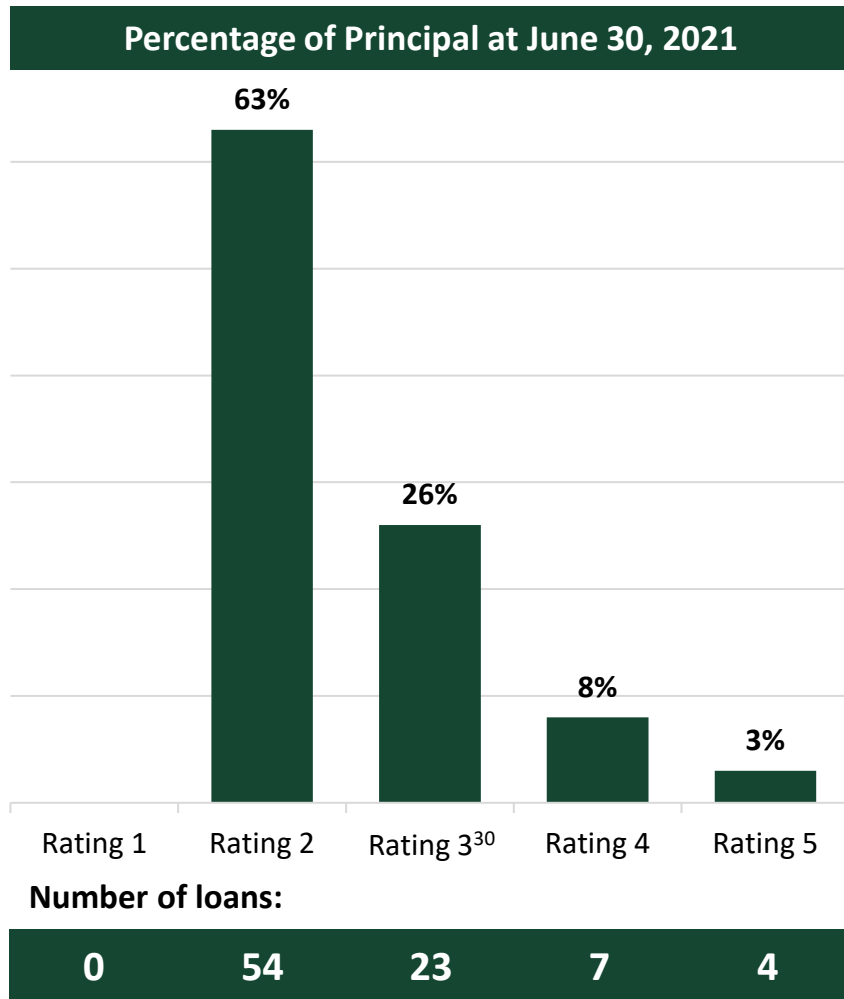
Interest Rate Type²⁷



CRE Loan Portfolio Risk Ratings²⁹



- **89%** of ACR's loans have a risk rating of 2 or 3 that are performing in line or near underwritten expectations
- **All but two** of ACR's 88 loans are current on contractual payments through June 2021





Capitalization and Liquidity

Summary Capitalization

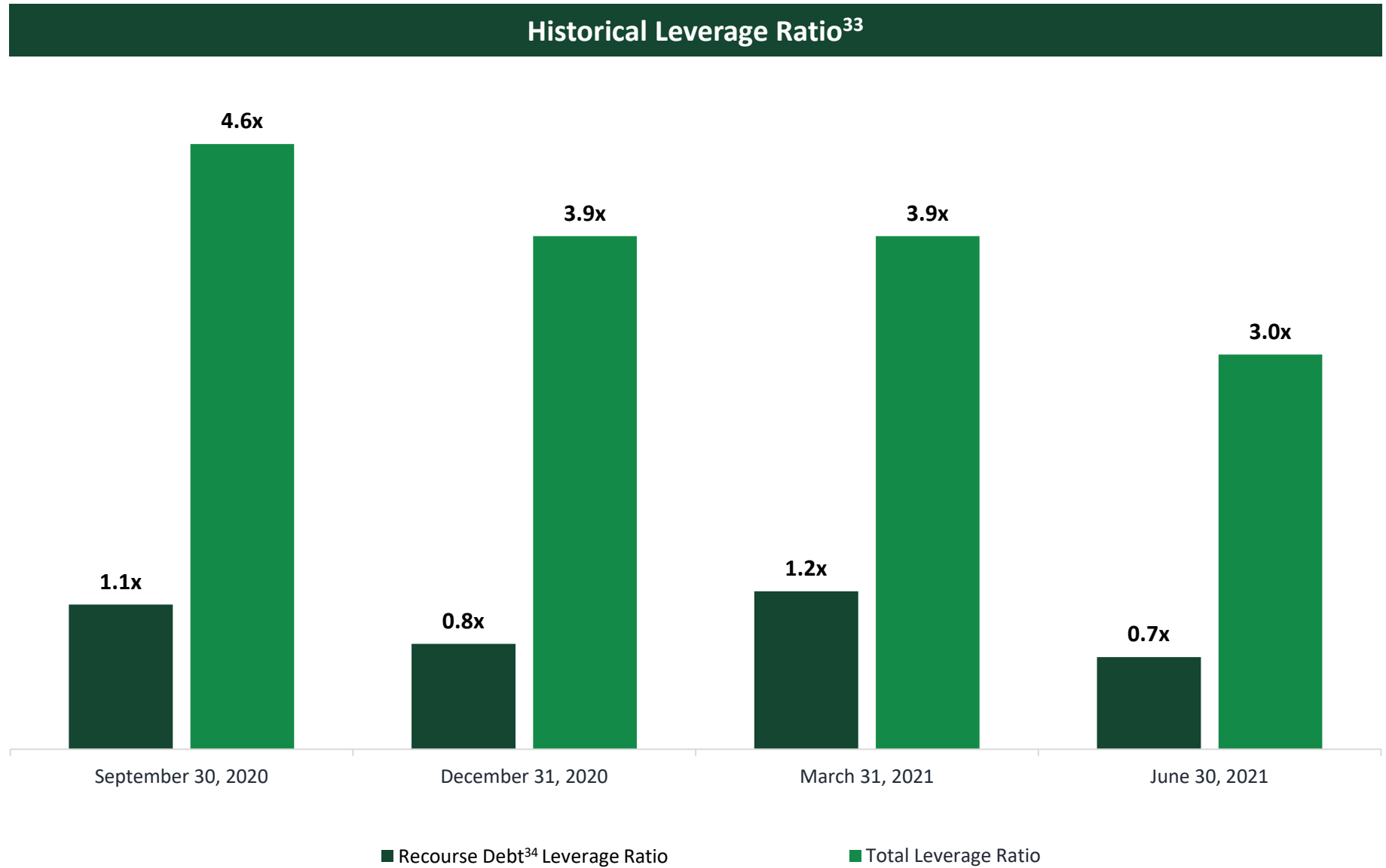


- **\$1.0 billion** of availability³² on its term warehouse and senior financing facilities and senior unsecured notes at June 30, 2021.

\$ in Millions	Capitalization ⁷				
	Maximum Capacity	Amount	Availability ³²	Wghtd. Avg. Coupon	Leverage Ratio ³³
Term warehouse financing facilities	\$750.0	\$62.6	\$687.0	2.59%	0.2x
Senior secured financing facility ^{34,35}	250.0	0.6	245.6	5.75%	0.0x
Senior unsecured notes ^{36,37}	125.0	46.6	75.0	12.00%	0.1x
Convertible senior notes ³⁸	139.2	139.2	-	4.50%	0.3x
Trust preferred sec.	51.5	51.5	-	3M L ⁴⁰ + 3.95%	0.1x
Total recourse debt³⁴	\$1,315.7	\$300.5	\$1,007.6		0.7x
Securitized ^{34,39}	1,044.9	1,044.9	-	BR ⁴¹ + 1.94%	2.3x
Total leverage	\$2,360.6	\$1,345.4	\$1,007.6		3.0x
Preferred equity ³⁸		226.7		8.26%	
Common equity		226.3			
Total capitalization		\$1,798.4		3.52% WACC⁴²	

- In June 2021, the benchmark rate on the third-party owned notes at two securitizations was replaced with Compounded SOFR plus a benchmark adjustment.

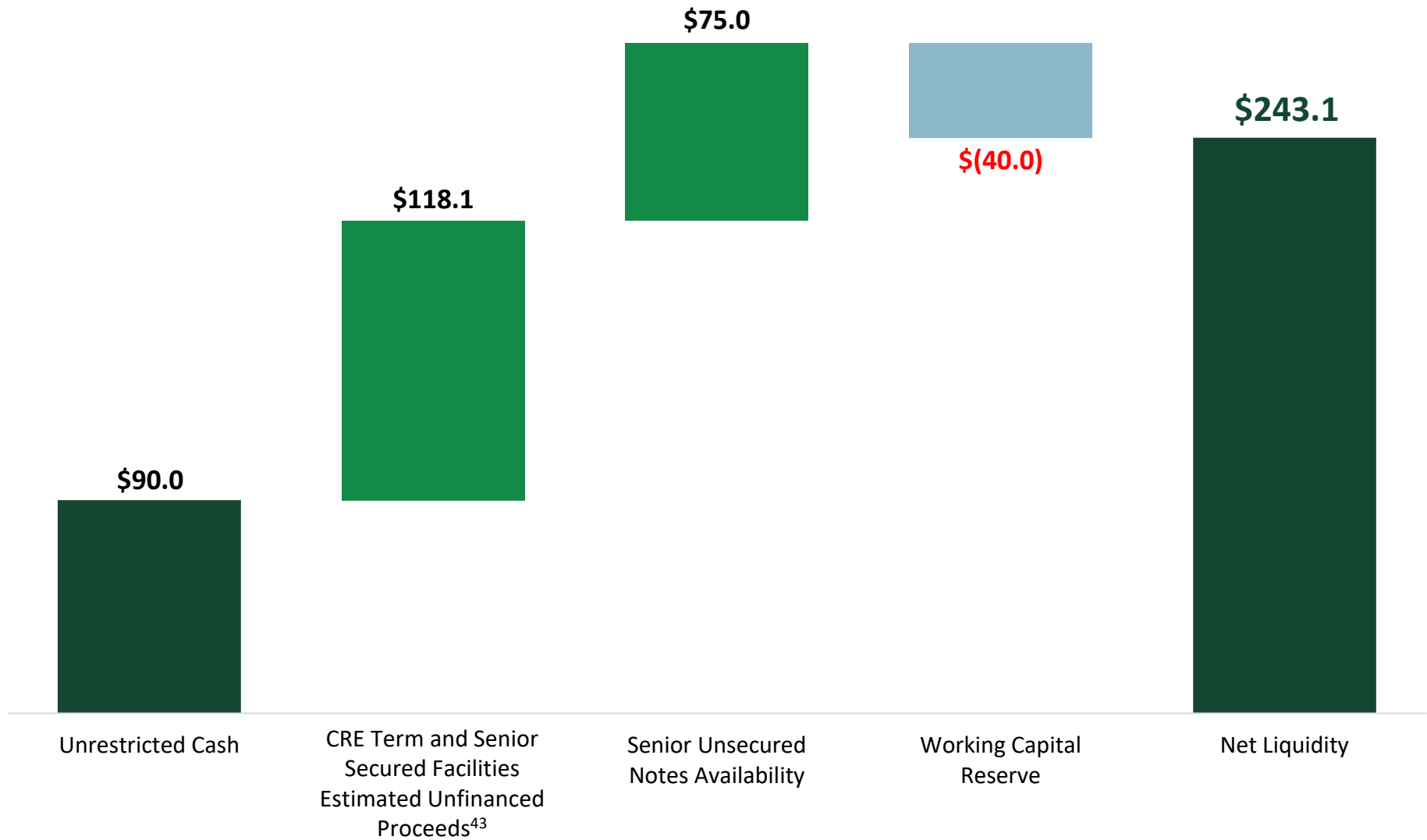
Historical Leverage Ratios



Liquidity at July 31, 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

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; 4,600,000 and 0 shares issued and outstanding

Common stock, par value \$0.001: 41,666,666 and 125,000,000 shares authorized; 9,477,051 and 10,162,289 shares issued and outstanding (including 339,708 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

	Jun. 30, 2021	Dec. 31, 2020
	(Unaudited)	
Cash and cash equivalents	\$90,805	\$29,355
Restricted cash	15,003	38,386
Accrued interest receivable	7,254	7,372
CRE loans	1,564,025	1,541,992
Less: allowance for credit losses	(18,326)	(34,310)
CRE loans, net	1,545,699	1,507,682
Investment securities available-for-sale	-	2,080
Principal paydowns receivable	95,873	4,250
Loan receivable - related party	11,750	11,875
Investments in unconsolidated entities	1,548	1,548
Investment in real estate	33,104	33,806
Right of use assets	6,016	5,592
Intangible assets	3,125	3,294
Other assets	5,379	8,783
Assets held for sale	61	61
Total Assets	\$1,815,617	\$1,654,084
Liabilities		
Accounts payable and other liabilities	\$3,110	\$2,068
Management fee payable - related party	495	442
Accrued interest payable	5,905	6,036
Borrowings	1,345,444	1,304,727
Lease liabilities	3,574	3,107
Distributions payable	2,706	1,725
Accrued tax liability	1	57
Liabilities held for sale	1,424	1,540
Total Liabilities	1,362,659	1,319,702
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	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; 4,600,000 and 0 shares issued and outstanding	5	-
Common stock, par value \$0.001: 41,666,666 and 125,000,000 shares authorized; 9,477,051 and 10,162,289 shares issued and outstanding (including 339,708 and 11,610 unvested restricted shares)	9	10
Additional paid-in capital	1,183,056	1,085,941
Accumulated other comprehensive loss	(9,060)	(9,978)
Distributions in excess of earnings	(721,057)	(741,596)
Total Stockholders' Equity	452,958	334,382
Total Liabilities and Stockholders' Equity	\$1,815,617	\$1,654,084

Consolidated Statements of Operations



(Unaudited, in thousands, except share and per share data)

	For the Three Months Ended		For the Six Months Ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Revenues				
Interest income	\$25,793	\$27,243	\$50,542	\$60,533
Interest expense	18,702	12,547	32,426	30,941
Net interest income	7,091	14,696	18,116	29,592
Real estate income	2,732	-	4,386	-
Other revenue	16	20	32	43
Total revenues	9,839	14,716	22,534	29,635
Operating Expenses				
Management fees - related party	1,379	1,327	2,705	3,444
Equity compensation - related party	171	715	190	1,213
Real estate operating expenses	2,481	-	4,312	-
General and administrative	2,716	2,875	5,869	6,257
Depreciation and amortization	15	7	59	22
(Reversal of) provision for credit losses, net	(10,343)	41,472	(15,984)	57,621
Total operating expenses	(3,581)	46,396	(2,849)	68,557
Other Income (Expense)				
Net realized and unrealized (loss) gain on investment securities, loans and derivatives	-	(982)	878	(186,339)
Fair value adjustments on financial assets held for sale	-	(927)	-	(4,718)
Other income (expense)	219	189	434	58
Total other income (expense)	219	(1,720)	1,312	(190,999)
Income (Loss) before Taxes	13,639	(33,400)	26,695	(229,921)
Income tax benefit	-	-	-	-
Net Income (Loss)	13,639	(33,400)	26,695	(229,921)
Net income allocated to preferred shares	(3,568)	(2,587)	(6,156)	(5,175)
Net Income (Loss) Allocable to Common Shares	\$10,071	\$(35,987)	\$20,539	\$(235,096)
Net Income (Loss) Per Common Share - Basic⁴⁴	\$1.04	\$(3.41)	\$2.06	\$(22.27)
Net Income (Loss) Per Common Share - Diluted⁴⁴	\$1.04	\$(3.41)	\$2.06	\$(22.27)
Weighted Average Number of Common Shares Outstanding - Basic ⁴⁴	9,711,940	10,568,571	9,952,254	10,555,319
Weighted Average Number of Common Shares Outstanding - Diluted ⁴⁴	9,720,609	10,568,571	9,961,211	10,555,319

Core Earnings⁴⁵



- 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		For the Six Months Ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Net Income (Loss) Allocable to Common Shares - GAAP	\$10,071	\$(35,987)	\$20,539	\$(235,096)
Reconciling Items From Continuing Operations:				
Non-cash equity compensation expense	171	715	190	1,213
Non-cash (reversal of) provision for CRE credit losses	(10,343)	40,450	(15,984)	56,599
Realized loss on core activities ⁴⁶	-	-	(5,246)	-
Unrealized (gain) loss on core activities ⁴⁶	-	839	(878)	6,036
Real estate depreciation and amortization	467	-	998	-
Non-cash amortization of discounts or premiums associated with borrowings	848	719	1,670	1,430
Net (income) loss from non-core assets	(87)	7	(120)	25
Reconciling Items From Legacy CRE Assets:				
Net interest income on legacy CRE assets	(157)	(157)	(318)	(318)
Fair value and other adjustments on legacy CRE assets	-	927	-	4,718
Core Earnings Allocable to Common Shares	\$970	\$7,513	\$851	\$(165,393)
Core Earnings per Common Share - Diluted⁴⁴	\$0.10	\$0.71	\$0.09	\$(15.67)
Weighted Average Number of Common Shares Outstanding - Diluted on Core Earnings Allocable to Common Shares ⁴⁴	9,720,609	10,568,571	9,961,211	10,555,319

46. 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 six months ended June 30, 2021. Unrealized (gain) loss on core activities includes the unrealized gains and losses on the CMBS portfolio, which were excluded from Core Earnings.

Footnotes



1. "Second quarter 2021 highlights" includes activity that occurred during the third quarter of 2021 or balances at July 31, 2021, where specifically referenced.
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 D Preferred Stock" refers to the 7.875% Series D Cumulative Redeemable Preferred Stock. "CLO" refers to collateralized loan obligation.
3. Proceeds are net of the underwriter's discount and offering expenses.
4. During the three and six months ended June 30, 2021.
5. "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. "LTV" refers to loan-to-collateral value. "1M LIBOR" refers to the one-month London Interbank Offered Rate. "XAN 2019-RSO7" refers to Exantas Capital Corp. 2019-RSO7, Ltd., a CLO closed in April 2019 to finance CRE loans.
6. Refer to page 22 for the reconciliation of Net Income (Loss), a GAAP financial measure, to Core Earnings, a Non-GAAP financial measure.
7. 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.
8. At June 30, 2021.
9. At July 31, 2021.
10. Per share calculations exclude unvested restricted stock, as disclosed on the consolidated balance sheets, of 339,708 and 11,610 shares at June 30, 2021 and March 31, 2021, respectively, and include warrants to purchase up to 466,661 shares of common stock at June 30, 2021 and March 31, 2021, see footnote 37 below. The denominators for the calculations are 9,604,004 and 9,872,562 at June 30, 2021 and March 31, 2021, respectively.
11. The per share amount is calculated with the denominator referenced in footnote 10 at June 30, 2021. Net income per common share - diluted of \$1.04 is calculated using the weighted average diluted shares outstanding during the three months ended June 30, 2021.
12. "OCI" refers to the change in accumulated other comprehensive income (loss) attributable to terminated derivatives.
13. 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 or until the \$20.0 million is fully deployed. ACR purchased 1,553,939 shares for \$19.2 million through June 30, 2021. The remaining shares eligible for repurchase under the program were repurchased in July 2021.
14. Excludes legacy CRE loans.
15. 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.
16. Excludes one new CRE floating-rate whole loan without a 1M LIBOR floor that was originated in April 2021 with a principal balance of \$43.4 million.
17. "1M L" refers to the one-month London Interbank Offered Rate.
18. Multifamily loan payoffs exclude the 11.75% fixed coupon rate on a preferred equity investment that paid off in April 2021.
19. The total weighted average 1M LIBOR floor on the floating-rate loan payoffs was 1.84%.
20. Includes one legacy CRE loan reported at its amortized cost of \$11.5 million at June 30, 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.
21. Includes one loan with an amortized cost of \$20.8 million that earns a fixed rate of interest of 5.75% from June 2021 through December 2021 in connection with a modification. The loan's interest rate is excluded from the calculations of the weighted average CRE whole loan, floating rate and 1M LIBOR floor at June 30, 2021.
22. ACR received payoffs of \$6.7 million and \$22.1 million on its preferred equity investments in March 2021 and April 2021, respectively.
23. The CRE fixed-rate whole loans were sold in March 2021 at par for \$4.8 million.
24. Classified as other assets on the consolidated balance sheet.
25. LTV is based on the outstanding principal divided by the as-is appraised property value available as of each respective period end.
26. Regions refer to the regions identified by the National Council of Real Estate Investment Fiduciaries.
27. At June 30, 2021; percentages are calculated based on \$1.5 billion carrying value.
28. Includes the loan referenced in footnote 21.
29. See page 25 for additional information.

Footnotes (Continued)



30. Includes one mezzanine loan, 0.3% of total principal, risk rated a 3 at June 30, 2021 and March 31, 2021.
31. Includes one preferred equity investment, 1.4% of total principal, risk rated a 4 at March 31, 2021. The preferred equity investment paid off in April 2021.
32. Availability is calculated as the difference between the maximum capacity on the applicable borrowing and the principal outstanding.
33. The leverage ratio is calculated as the respective period ended borrowings over total equity.
34. 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 2020-RS08 Investor, LLC and Exantas Real Estate Funding 2020-RS09 Investor, LLC.
35. The facility has an initial two-year revolving period followed by a five-year term that matures on July 31, 2027 and charges interest at 5.75%.
36. 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.
37. 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.
38. Face amount of convertible senior notes and preferred equity are \$143.8 million and \$235.0 million, respectively.
39. The CLO closed in May 2021 includes \$26.3 million of uninvested proceeds and principal paydowns receivable received in July 2021 that can be reinvested into the CLO.
40. "3M L" refers to the three-month LIBOR rate.
41. "BR" refers to benchmark rate. Effective June 2021, the third-party owned notes at Exantas Capital Corp. 2020-RS08, Ltd. and Exantas Capital Corp. 2020-RS09, Ltd. are benchmarked to the compounded Secured Overnight Finance Rate ("SOFR") plus a benchmark adjustment. ACRES Commercial Realty 2021-FL1 Issuer, Ltd is benchmarked to 1M LIBOR.
42. "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.
43. 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.
44. 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.
45. See page 26 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 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 Symbols:
ACRPrC & ACRPrD